FINANCIAL TIMES

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Moscow warns of danger to summit, Page 4

World news

US backs $250m aid for N. Ireland

The US House of Representatives voted unanimously to approve a five-year, $250m aid package for Northern Ireland in a signal of support for the Anglo-Irish accord signed last year. The accord gives Dublin a say in the affairs of the British province.

The aid now goes to the Senate for consideration, probably early next month. The main slice of the aid, designed to underpin the political aspects of the agreement, will go to schemes put forward by public authorities.

Protests by Unionists, who oppose the accord, marked the meeting of British and Irish ministers in Belfast. Page 10

SA police kill two

South African police fired on a crowd outside a courtroom in the black township of Kabokweni near White River in the eastern Transvaal, killing two black youths and injuring 81 others. Youths gathered in support of eight classmates facing trial on public-violence charges. Page 4

Saudi arms request

President Ronald Reagan asked Congress to approve the sale of missiles worth $354m to Saudi Arabia. He said they were necessary for Saudi security.

Colombia election

Colombia's Liberal Party clearly won Sunday's elections, but six candidates from a party formed by leftist guerrillas captured seats in Congress.

General encircled

Tank squadrons and troop convoys travelled across Ecuador to begin encircling a Pacific coast air force base where a rebel general has refused a presidential order to surrender. Earlier report, Page 4

Juice withdrawn

Polish health authorities withdrew all orange juice from shops in the central city of Lodz after a farmer was poisoned by a contaminated bottle.

Koreans protest

South Korea's opposition took to the streets in Seoul, the capital, by the thousand in a peaceful demonstration for constitutional reform. Page 4

Uganda political ban

President Yoweri Museveni banned all political activity in a move aimed at bringing stability to war-racked Uganda.

Harare release

Vote Moyo, a former secretary general of Zimbabwe's main opposition PF-Zapu party, was released from Chikurubi prison near Harare after being detained for nearly four years.

Peasants evacuated

The Peruvian Government began evacuating thousands of peasants from the foot of Marambuco mountain in the north amid fears of another avalanche.

Basque kidnapping

Basque separatist Eta guerrillas said they had kidnapped a Basque industrialist who disappeared on Monday.

Sinowatz denial

Austrian Chancellor Fred Sinowatz denied that his Socialist Party was behind charges that Kurt Waldheim, a presidential candidate and former United Nations Secretary General, belonged to Nazi groups.

Hitler art found

Nineteen paintings believed to be by Adolf Hitler have been found in an attic in the south Belgian town of Huy.

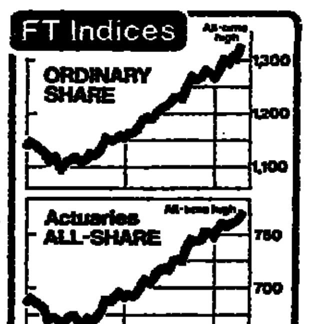
Business summary

El-Sayed 'secured' Volvo guarantee

VOLVO admitted it had agreed to guarantee part of the personal debts of Refaat El-Sayed, majority shareholder in Fermenta, troubled Swedish biotechnology group. Page 19

DOLLAR fell in London to close at DM 2.2650 (DM 2.2800); SFr 1.9205 (SFr 1.9365); FFr 6.9675 (FFr 7.0125) and Y178.85 (Y180.65). On Bank of England figures, the dollar's exchange-rate index fell from 118.6 to 118.0. Page 33

STERLING rose in London against the dollar to close at $1.4560. It also rose to DM 3.2975 (DM 3.2950); FFr 10.1450 (FFr 10.13) and Y261.75 (Y261.0). It was unchanged at SFr 2.7975. The pound's exchange-rate index rose to 74.4 from 73.7. Page 33



LONDON: Equities continued their run to record levels and gilts showed gains. The FT Ordinary-share index shot 21.2 higher to 1,326.8 while the FT-SE 100-share index closed 24.9 up at a record 1,597.1. Page 40

TOKYO: Stocks reached new peaks as the Nikkei average rose 9.70 to a record 14,066.22. Page 40

WALL STREET: At 3pm the Dow Jones industrial average was 20.83 higher at 1,723.78. Page 40

GOLD rose $1.25 an ounce in the London bullion market to finish at $343.25. It also rose in Zurich to $343.15 from $339.70.In New York, the Co.mex April settlement was $344.90. Page 32

AUSTRALIAN Federal Cabinet has decided not to intervene in the takeover bid of BHP by Bell Resources. Page 21

PHILIPPINES Government is to vet all contracts involving public funds in a drive against corruption. Page 7

BRITAIN is negotiating with the US to build a $14.4m ultra-high-powered laser facility for the Star Wars research programme to study the effects of laser-beam weapons on space targets. Page 12

SOUTH KOREA'S second convertible Eurobond is expected to be announced in the next few weeks by the diversified Daewoo Heavy Industries. Page 22

US AVIATION companies Boeing, Grumman and Lockheed are to be given 45 days from next Monday to produce proposals for supplying an alternative to Britain's controversial Nimrod early-warning aircraft. Page 12

US UNDERWRITING syndicate is planned by two leading insurance brokers in a bid to tackle the critical shortage in corporate liability cover. Page 19

DE BEERS Consolidated Mines of South Africa reported almost doubled pre-tax profits in the second half of 1985, bringing the full year total to R1.58bn ($557m) compared with R887m. Page 20

FRED OLSEN, of Norway, more than trebled pre-tax profits by its three stock-exchange-listed companies last year to a total of NKr 612m ($85m). Page 19

WE REGRET that North American prices are incomplete in this edition due to computer problems.

Second bank sues ITC and considers further claims

BY STEFAN WAGSTYL IN LONDON

STANDARD Chartered Bank started legal action yesterday against the International Tin Council in a move which is widely expected to herald a flood of lawsuits against the council in the international tin crisis.

The bank is also considering suing all 22 member governments of the council, the European Community and the UK Department of Trade and Industry.

Mr Peter Graham, senior deputy chairman, said the bank was acting to protect its legal position. It is owed some £10m ($14.5m) by the ITC but has tin worth about £8m at current prices, leaving a loss of some £2m.

Standard Chartered is the second of the 14 banks – which together lent the tin council some £270m – to start court action. The other is Arab Banking Corporation, which is suing the ITC for about £15m. Other banks are also preparing for court action, after the failure last week of attempts to negotiate a settlement of the crisis between the council and the banks and metal broking companies, to which it owes a total of £900m gross.

On the London Metal Exchange, the world's leading metals market, three brokers have taken the council to arbitration under LME rules for recovery of their debts.

The council ran out of money nearly five months ago, running a tin price support pact on behalf of 22 tin producing and consuming countries.

Meanwhile, the LME has itself become a battleground for legal action between trading companies. Mr Philip Jevons, deputy chairman of Shearson Lehman Metals, which is suing the LME over its handling of the crisis, resigned yesterday as an LME board member.

He said: "It was ridiculous. I can not sue myself." Mr Mike Brown, LME chief executive, said Mr Jevons's position had become untenable.

Mr Jevons, a board member for the past three years and an LME committee member for three years before that, is the latest victim of the tension that has racked the LME since the crisis arose in October.

Shearson Lehman Metals and its parent company, Shearson Lehman Brothers, both part of the American Express financial house, are suing the LME and its committee for imposing a fixed settlement price on outstanding tin contracts. Shearson is also suing the two LME trading companies with which it has tin contracts.

Neither Shearsons nor the LME would comment yesterday on the suits.

It appears that the Shearson action is not designed to stop the fixed price settlement – or "ring-out" – which is due to be completed by noon today, but to claim damages for the losses the company says it will suffer as a result of the LME's action.

Traders yesterday confidently expected all the 13 ring-dealing members with ITC contracts to pay their obligations under the ring-out. Virtually all the parent companies of the members have either injected funds into their subsidiaries or made public promises of financial support.

However, there are doubts about whether one or two non ring-dealing companies can pay up. In all, 24 companies held contracts with the ITC, on which they face losses of £180m at the ring-out price of £6,250 a tonne.

Meanwhile, the Tin Council yesterday abandoned its attempts to revive the rescue plan for the market after a formal rejection of its advances from Thailand.

Shock waves from crisis, Page 16; Commodities, Page 32

EEC warning on need for new budget cuts

BY QUENTIN PEEL IN BRUSSELS

A SURGE in spending on EEC farm export subsidies, the urgent need to sell off surplus food stocks and to pay for a big backlog of commitments to social and regional projects, all look certain to exhaust all the potential cash available from member states before the end of the year, unless new savings can be made.

That was the grim picture of the looming EEC budget crisis set out yesterday by Mr Henning Christophersen, the Budget Commissioner, after a report to Community finance ministers.

Mr Christophersen spelt out estimates for extra spending this year – including an increased budget rebate for the UK – totalling Ecu 2.9bn ($2.7bn), compared with an absolute limit on available resources of Ecu 2.5bn.

He confirmed that the current dollar-Ecu exchange rate would increase the cost of farm export subsidies by some Ecu 1.5bn alone over a full year, because of the fall in the dollar's value.

The likely minimum cost of paying off the backlag on the social and regional funds would be Ecu 750m to Ecu 800m, and the extra British rebate – for having paid excess budget contributions in 1984 and received less EEC spending than expected in 1985 – some Ecu 400m, Mr Christophersen said. In turn, extra spending would mean increased repayments to Spain and Portugal of the order of Ecu 200m.

A supplementary budget to cover all those items will be submitted by the Commission to the member states in May or June. By then, the exact sums involved should be clearer.

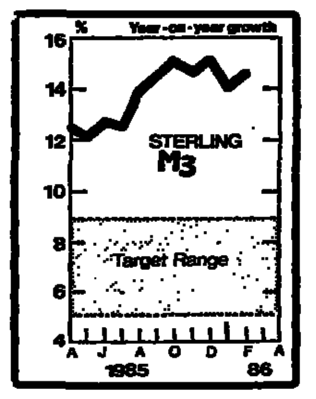
The rapid increase in EEC spending – largely as a result of the fall in the dollar, but also because of past policy decisions – means that the budget contributions of member states are likely to be exceeded in the first year after they were increased. The only alternative would be to find cuts in the existing budget, the Commissioner said.

Since January 1, when Spain and Portugal joined the Community, the 12 member states have been paying up to a so-called value-added-tax

Continued on Page 18

Money-supply data lifts UK budget hopes

BY PHILIP STEPHENS, IN LONDON



THE GROWTH rate of the broad measure of Britain's money supply accelerated last month after the sharp slowdown in January, but the City of London is still expecting a small cut in interest rates after next Tuesday's budget.

The Bank of England said that sterling M3 grew by 1 per cent in February after the increase of only 0.1 per cent in January. Last month's rise, however, met expectations, and the general view last night was that it should not represent an obstacle to a reduction in interest rates.

The confidence of financial markets ahead of the budget has been bolstered by a series of recent official figures showing a sharp slowdown in industry's costs, lower public borrowing than expected, and increases in Britain's official reserves.

Each of the last five years has seen a reduction in borrowing costs around the time of the budget, and the recent round of international interest rates reductions has reinforced the feeling that 1986 should be no exception.

That was reflected yesterday in a renewed surge in share prices and further gains for gilt-edged securities on the London stock market. Sterling meanwhile rose against a weaker dollar and against European currencies.

From the Government's point of view, lower interest rates could be presented as some compensation for the reduced scope for tax cuts after the collapse of its North Sea oil revenues.

The official line is still one of caution, particularly since the budget will coincide with a meeting of the Organisation of Petroleum Exporting Countries. Mr Nigel Lawson, the Chancellor, will want to be sure that sterling looks relatively robust before risking a cut in interest rates.

If the budget is well received and the Opec meeting does not create undue turbulence on the financial markets, however, the authorities *are not ruling out a small reduction*, perhaps of between ½ and 1 percentage point.

Since base rates are now at 12½ per cent, that would still leave Britain with a level of borrowing costs far above that in most of its chief competitor countries.

The details of yesterday's figures show that the growth rate of sterling M3 in the year to February was about 14.75 per cent, up from an annual 14 per cent the previous month.

Bank lending to the private sector, regarded in the City as an important guide to monetary conditions, totalled £1.5bn ($1.03bn) up sharply from January but in accordance with what the authorities regard as the underlying trend.

Mr Lawson dropped the official 5 to 9 per cent target range for sterling M3 last year when he said it was being distorted upwards by rapid changes in financial markets.

Lex, Page 18; Money markets, Page 36; Stock markets, Page 40

Ferruzzi sets up $455m share and bond sale

By Alan Friedman in Milan

FERRUZZI, Italy's third-largest private-sector group with annual sales of $6.5bn, has announced plans to raise L702.6bn ($455m) by share and bond issues for its quoted Agricola (Agriculture) and Silos (transport and services) subsidiaries.

News of the planned issues coincides with Ferruzzi's bid to acquire British Sugar, the subsidiary of Britain's S. and W. Berisford group. Ferruzzi already controls, through its Agricola holding subsidiary, Europe's largest sugar conglomerate. That includes the Eridania subsidiary in Italy and Béghin-Say in France.

The $455m is to be raised through a four-stage operation. Agricola is expected to launch a L196.8bn bond issue convertible into equity, with a maturity of five years and eight months and interest at 7 per cent.

Silos, meanwhile, is planning a six-year bond issue convertible into shares, also at 7 per cent and to total L226.8bn, Silos, meanwhile, will increase its authorised share capital and raise L142.9bn by means of the issue of 113.4m savings shares at L1,260 each. In addition, Silos will issue 75.6m ordinary shares at L1,800 each, to raise L138.1bn.

The fund-raising in Italy represents the largest offer of shares and bonds since last year's L600bn rights issue from Agricola, half of which was subscribed by the Ferruzzi family.

Silos owns 12 bulk carrier ships, 170 barges, six tugboats and has 30 silos and 300 special railway cars. The service subsidiary, which employs 2,000 of Ferruzzi's workforce of 10,000, controls 60 per cent of Italy's grain storage capacity – 1m tonnes.

It was also learned yesterday that Ferruzzi last week liquidated its cement holdings in Brazil and realised proceeds of $100m.

As an agricultural group, Ferruzzi owns 2.5m acres of land im Europe, the US and South America. It also owns 50 per cent of American Bank and Trust in New Orleans and controls, together with allies Credito Romagnolo, the Bologna-based private bank in which it has a nominal 2 per cent share stake.

Ferruzzi's previously agreed plan with Berisford to take over the whole of Berisford and then sell the company minus British Sugar back to Mr Ephraim Margulies, Berisford chairman, in a management buy-out, has been stalled since it emerged that Hillsdown of the UK has taken a 9 per cent stake in Berisford and that Tate and Lyle, Britain's leading sugar refiner, controls about 3 per cent.

Manila opens IMF talks on debt burden

BY ALAIN CASS AND SAMUEL SENOREN IN MANILA

EFFORTS to revive the struggling Philippines economy got under way yesterday when the first of two International Monetary Fund teams due to visit Manila this month started talks with senior economic officials in President Corazon Aquino's Government.

With the country's external debt standing at $26bn the focus of the talks is expected to be the terms on which a new standby facility might be granted when the current one expires in June. Commercial banking interest in the development of the Philippines debt problem is underlined by the presence in Manila with the IMF of Mr David Pflug, a senior vice president of Manufacturers Hanover Bank and chairman of the advisory committee of the country's 483 creditor banks. The Philippines' commercial bank debt totals around $16bn.

A second IMF team is due in Manila next week as part of a reassessment by the Fund of the political and economic situation in the Philippines after the downfall of Mr Ferdinand Marcos.

Mrs Aquino and senior officials of her Government are also due to meet a team of senior US officials on a fact-finding mission for President Ronald Reagan. The team, headed by US Aid administrator Mr Peter McPherson, includes officials from the Departments of State, Defence and the Treasury.

US diplomats said the team was assessing the new Government's economic and military needs and would make recommendations to President Reagan on their return. The US is considering advancing payments due in the next fiscal year. Mr Marcos had requested the advance to prop up his ailing administration as early as September last year but that was rejected by the US.

Mr Jaime Ongpin, the Finance Minister, who is leading the talks on the Filipino side, is expected to ask the IMF for a new facility of between $500m and $600m – which is less than the existing package. The Government is keen to minimise its debt burden.

The second and larger IMF team *arriving next week is to review* economic performance targets set in the programme that accompanied the existing $650m facility.

An IMF team was due to have arrived in the Philippines shortly before the fall of Mr Marcos to decide whether the remaining two

Continued on Page 18
Crackdown on bribery, Page 5

Kohl faces second Flick investigation

BY PETER BRUCE IN BONN

THE TENTACLES of West Germany's biggest post-war bribery scandal, the so-called Flick affair, tightened further around Chancellor Helmut Kohl yesterday. Prosecutors in Bonn announced they plan to begin a formal investigation into charges that he lied to a parliamentary committee in November 1984 by claiming not to know about two political donations totalling DM 55,000 ($24,000) given to his office by the Flick industrial group.

Chancellor Kohl is now the subject of two investigations prompted by charges that he has given false testimony in evidence relating to political donations made to his party, the Christian Democrats (CDU).

Last month prosecutors in Koblenz opened an inquiry into allegations that he misled an inquiry in the parliament of the Rhineland Palatinate state last year by claiming not to know anything about a charitable foundation that illegally channelled funds into the CDU.

Both accusations were initially made by Mr Otto Schily, a lawyer and a leading member of the radical Greens party. Mr Kohl, who has been affecting calm and confidence since the Koblenz investigation opened, said yesterday the decision by the Bonn prosecutors had not come as a surprise.

The Chancellor's aides and the CDU leadership are treating the charges as a political attack ahead of next January's general election. CDU sympathisers have made similar accusations, though as yet no formal charges, about ex-Chancellor Willy Brandt's links with the Flick group. Mr Brandt is chairman of the opposition Social Democrats (SPD).

Nevertheless, the opening of investigations by prosecutors in Koblenz and now Bonn is thought likely to hurt the Chancellor, who entered 1986 with an apparently unassailable advantage over his SPD rival for the next federal elections, Mr Johannes Rau.

CONTENTS

Sweden raises social benefits and cuts taxes

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE Swedish Government yesterday unveiled a SKr 2.5bn (£240m) package of improved family welfare benefits to be *financed through* increased taxes on energy and securities trading.

At the same time it is proposing sweeping reforms of the income tax system aimed at simplifying declarations and lowering both marginal tax rates and rates for low wage earners.

The Social Democratic Government is hopeful that the reforms announced for the years 1987 and 1988 could pave the way for more moderate wage settlements and make it possible to achieve improvements in real disposable incomes with only a low rise in nominal wage rates.

One of the problems that has dogged the Swedish economy is that labour costs and inflation have risen at a much faster rate than in competing countries, thus eroding Sweden's competitiveness.

Mr Kjell-Olof Feldt . . . rise in disposable incomes.

The Social Democrats are in a minority in the Riksdag (Parliament) but the Government appears to be counting on support from either the Communists or the Centre Party to push the package through.

Under the income tax reforms, *the highest rate of marginal* tax will be reduced on average to 75 per cent in 1988 from a current level of 80 per cent. The reforms will also satisfy one of the Social Democrats' main election promises, namely that, by 1988, 90 per cent of wage earners should be subject to a maximum marginal income tax rate of 50 per cent.

Mr Kjell-Olof-Feldt, the Finance Minister, said the income tax reductions implied a 1.5 per cent improvement in disposable incomes in both 1987 and 1988, if it was possible to bring *inflation* down to only 2.5 per cent and to hold nominal wage increases at 4 per cent a year.

Such assumptions appear very optimistic, however, given Sweden's recent problems in holding inflation and labour *costs in check. With inflation of* 5.5 per cent and a 7 per cent jump in labour costs, the impact on real incomes would be more than halved.

The tax reforms are worth around SKr 6.25bn over the two years 1987 and 1988 and are to be financed chiefly by tightening the state's squeeze on the local authorities flourishing finances.

While the central Government has operated in recent years with a heavy deficit and mounting debts, the municipalities have enjoyed a substantial surplus which is estimated to reach SKr 9bn-SKr11bn next year. This surplus will now virtually disappear as a result of the measures announced yesterday combined with earlier cuts in transfers to local government announced in the budget *in January.*

As one-off measures, the income tax reforms will more than compensate for inflation, but Mr Feldt has firmly rejected pleas from the centre-right opposition parties for indexation of income tax scales to provide automatic protection against inflation.

As part of the improvements in family welfare benefits the Government is proposing increases in child allowances and student support worth a total of SKr 2.5bn to take effect from January 1. They are to be *financed by higher taxes on oil,* coal and natural gas, as well as a doubling to 2 per cent of the turnover tax on share trading and a tightening of the rules on expense allowances for business entertainment.

Maxwell group wins TV channel

By Paul Betts in Paris

THE FRENCH Government yesterday granted the remaining two channels of the TDF-1 direct broadcasting television satellite to a newly formed European consortium. This includes Mr Robert Maxwell, the UK publisher, Mr Silvio Berlusconi, the Italian television magnate, *Mr Jerome Seydoux, chairman* of the French Chargeurs transport concern and partner of Mr Berlusconi, and the West German Kirsch film production and distribution group.

The two other channels on the satellite, due to be launched later this year, have been awarded respectively to the new French commercial Fifth Channel controlled by Mr Seydoux and Mr Berlusconi and to a new state cultural network known as the Seventh Channel.

Mr Maxwell had originally intended operating a channel of his own on the French satellite. But he decided to team up with the others in a European group, registered in Luxembourg but operating out of France called "Consortium Européen pour la *Télévision Commerciale.*"

It intends to broadcast programmes on two different channels in four languages.

Cable TV deal, Page 18

Treasury eases election pressure on franc

BY DAVID MARSH IN PARIS

THE FRENCH Treasury has been indirectly encouraging large international corporations to stock up French franc holdings on the Euromarket as a way of keeping the currency steady ahead of this Sunday's general election.

The result of the action, according to bankers in Paris and London, has been to reverse part of the "leads and lags" pressure which traditionally builds up on the franc before elections, when *financial market* operators habitually sell forward the French currency.

A general realignment within the European Monetary System, involving a devaluation of the franc against the D-mark, is generally expected soon after the poll which is likely to lead to the return of a right-wing government. But the franc has kept generally steady against the D-mark this week, aided by light Bank of France intervention.

The Government has recently quietly eased one aspect of exchange controls which previously severely limited the lending of francs by domestic banks to non-residents. These loans are now permitted as long as the francs flowing out of France are needed by a foreign importer to cover a commercial purchase *of goods from French company.*

The ruling was made clear to French banks by M Daniel Lebegue, director of the French Treasury, in a letter on January 28 to the Association of French Credit Institutions which groups all participants in the banking system in France.

Foreign importers during a pre-electoral period would normally be expected to delay purchasing francs to cover purchases from France, in the hope of profiting from an eventual fall in the currency. But foreign companies are now making use of the possibility of borrowing francs by building up prematurely stocks of the French currency on the Euromarket, benfiting from relatively high interest rates on deposits kept outside France in financial centres such as London, Brussels *or Amsterdam.*

The one-month Euro French franc rate in London yesterday was about 16 to 16½ per cent, compared with an equivalent rate of 8¾ per cent in Paris. The Eurocurrency rates for French francs in the one and three-month positions have risen in the past few days, *reflecting* some borrowing of francs internationally by operators hoping to repay them at a profit in one or three months' time after the French currency has been devalued.

However, dealers say a lot of *this covering* has been defensive. Many banks and large international investors remember being painfully squeezed by Bank of France action before the last devaluation in March 1983, when the central bank drove up short-term Euro French franc rates to astronomical levels and thus made speculation highly unprofitable.

This time, dealers say, operators are trying to borrow French francs at relatively reasonable interest ates to cove their positions ahead of the expeted devaluation, but are not trying to *speculate aggressively againsht* the French currency.

French close ranks over Lebanon hostages

BY DAVID HOUSEGO IN PARIS

FRENCH OPPOSITION leaders and a section of the Press made common cause with the Government yesterday in attempting to neutralise the impact of the hostage drama on Sunday's general election.

Two French newspapers, the pro-Socialist, Le Matin and the popular Le Parisien, declined to publish the macabre pictures from Beirut of the body of Mr Michel Seurat, the French research worker executed by Islamic Jihad extremist group. Instead, they left a blank space on their front page or printed a black square.

At the same time, one of the main TV channels announced on the lunch-time news that it would not broadcast statements released by Islamic Jihad which is holding the three other French hostages taken almost a year ago.

Among opposition leaders, Mr Raymond Barre said that he approved the position taken by Mr Laurent Fabius, the Prime Minister, that France would not yield to blackmail. Mr Jacques Chirac, who is likely to become Prime Minister after the election, said that on issues of terrorism "anything that leads to polemic is bad."

Editourialists in the French press and the second rank of opposition leaders, none the less, have been scathing about the government's blunder in sending two Iraqi dissidents back to their country.

This action is believed to have precipitated the execution of Mr Seurat and the seizing of a four-man television crew in Beirut over the weekend.

Islamic Jihad have denied kidnapping the television team.

Michelin names a new 3-star French restaurant

THE PRESTIGIOUS Michelin Guidebook granted "an impossible dream" on Monday to the Lorain family, awarding their restaurant at Joingy, south of Paris, its famed three star rating – "exceptional cuisine, worth a special journey," AP reports from Paris.

The famous red hotel and restaurant guide, still the ultimate "bible" of gastronomes, maintained all its other three-star establishments, four in Paris and 15 in the provinces.

It promoted 10 restaurants to two-star billing for the first time, including the Pavillon Elysée and the Carré des Feuillants in Paris.

But it demoted 14 restaurants to one-star rating, including the well-known Camelia at Bougival, west of Paris and Laurent and Ledoyen off the Champs-Elysées – demotions that raised eyebrows among some professionals that respect these restaurants.

Michelin, traditionally, had no comments about their reasons for awarding or withdrawing the stars.

"Our new status seemed like an impossible dream," said new three-star chef, Mr Michel Lorain, 52, owner of the Côte St Jacques in the Yonne region 90 miles south of Paris.

"We've had two Michelin stars for 10 years," he said at Le Marcande restaurant in Paris, where he and his son come separately once a week to supervise the cuisine.

His is a family operation, with Jacqueline, his wife, the expert wine steward, Jean-Michel his son, as co-chef and Jean-Michel's wife as hostess and keeper of the cash register.

Some of the current favourite dishes prepared by the Lorains – father and son – include a gazpacho of "langoustines" or Norway lobster (scampi) with a zucchini puree, and duck wings with lentils and little white onions.

Besides the gourmet food recent improvements in the Joigny hotel-restaurant helped in winning the precious third star. In the past two years, a swimming pool and garden were added and restaurant decor was upgraded with comfortable green-grey modern furnishings.

Decor is important, and the Côte St Jacques is already listed in the Relais et Chateaux guidebook, whose members are chosen for excellence by their peers.

It rated the ultimate status of four chefs' "toques" (hats) in 1985 and this year in the Gault-Millau guide. Mr Lorain was also made a "Chef of the year" this year.

The Cote St Jacques has evolved gradually since Michel's mother bought an 18th-century house in 1952, converting it to a simple family pension, or boarding-house.

In 1959 Michel took over the cooking and started upgrading the restaurant and hotel.

"I learned cooking mainly on my own," said Mr Lorain. "My son and I simply aim for excellence based on our own tastes and fresh market produce."

His son worked with Mr Fredy Girardet, who owns a celebrated restaurant near Lausanne, considered by gastronomes to be the best in Switzerland and equal to the highest quality in France.

Food in three-star restaurants is expensive, although Mr Lorain's restaurant is not exorbitant for the ultimate in a French meal, with main dishes priced at about 150 francs ($22).

"We have a good foreign clientele, especially Americans, during the week," said Mr Lorain. "Many are on their way to Burgundy, with Chablis only 20 miles away. Our weekend clientele is largely French."

Asked if he had refused reservation requests from American customers as some top restaurants have reportedly done, he replied: "We have no problem. I can see that some famous restaurants in Paris may be distraught when they see their dining rooms filled with Americans.

"The French feel outnumbered, and even Americans would usually rather feel that they are eating in a real French restaurant with French customers."

Now that he has reached the top of the Michelin galaxy, Mr Lorain aims to keep up his excellent standards. "We experiment all the time," he said. "Nobody can invent anything in cuisine any more. It's all been done. But we can discover new combinations and tastes."

The Michelin guide added 51 new one-star restaurants in its 77th edition, of 1,300 pages. The book was started as an adjunct to the tyre manufacturing business, but soon developed its independent fame.

One star was first awarded to 46 restaurants in 1926, and the 1986 edition awards stars to four of those original restaurants.

W. German GNP rose 2.4% last year

By Rupert Cornwell in Bonn

WEST GERMANY'S Gross National Product grew by 2.4 per cent last year, but the much-heralded upsurge in consumer spending failed to materialise, according to data from the Economics Ministry yesterday.

Last year's GNP growth compares with expansion of 2.7 per cent in 1984, and is well below expectations for 1986, for which many analysts as well as the Bundesbank are anticipating growth of up to 4 per cent.

Most significant, however, are the detailed findings for the final quarter of last year. Although capital investment between October and December surged by a real 7.5 per cent compared with the previous quarter, private consumption actually fell by 0.5 per cent.

Hopes for an acceleration in growth this year are largely pinned on higher private spending, spurred by a strong D-mark which reduces the price of imports, tax cuts of around DM 11bn (£2.8bn) and above all the recent collapse of oil prices. The three factors together, it is reckoned, may add some DM 70bn to real demand in 1986.

The ministry also reported that the expected slowdown in export demand, because of the rise in the D-mark's value, is starting to be felt.

Exports in the final quarter were only 2.1 per cent above the level of a year earlier. The year-on growth in the first three quarters of 1985 ranged between 7.5 per cent and 10 per cent, the ministry said.

Danish reshuffle runs into problems

A cabinet reshuffle planned by Danish Prime Minister Poul Schlueter hit snags yesterday after the Christian People's Party, smallest group in his minority coalition, threatened to leave, Reuter reports from Copenhagen. The party, which holds one ministerial portfolio, said it would alter the balance between the four parties in the coalition.

UK, Italy set to sign three pacts

By Robert Mauthner, Diplomatic Correspondent

BRITAIN and Italy are due to sign three agreements covering bilateral extradition arrangements, air services and scientific co-operation at a one-day summit meeting in Florence today between Mrs Margaret Thatcher, Britain's Prime Minister, and Mr Bettino Craxi, her Italian opposite number.

The existing extradition treaty between the two countries, which dates from 1873, will be extended to include crimes such as terrorism and drug offences which were not specifically mentioned in the old agreement.

The revision of the Anglo-Italian extradition treaty is part of a general process undertaken by the British Government to review its extradition agreements with other countries, many of which do not provide for "modern" crimes which were less widespread at the time of their signature.

The updated memorandum of understanding on air services will authorise new services between British and Italian cities and add Gatwick to the airports linking the two countries. The agreement is also expected to permit a new air link between Italy and Hong Kong.

In the field of scientific co-operation, Italy is expected to join the international "spallation neutron source" research project at Rutherford Appleton Laboratory near Oxford, which was opened by Mrs Thatcher last autumn.

West Germany, France and India are already partners in the project, which conducts research into the breaking up of materials under neutron bombardment.

The two Prime Ministers, who will be accompanied by Foreign Defence and Interior Ministers at their periodic consultations, will have wide-ranging talks covering East-West relations, particularly arms control problems, and European Community issues.

Defence co-operation, including aircraft and helicopter production, will also be discussed by the relevant Ministers.

Mr Craxi, according to Italian officials, is expected to ask Britain to support Italy's demand to join the "Group of Five" leading Western industrialised nations, which periodically discusses key international economic and financial issues.

Lisbon gets to grips with public sector

BY DIANA SMITH IN LISBON

PORTUGAL'S minority Social Democrat Government is expected to take drastic steps soon to reduce the deadweight created by public sector companies whose debts have piled up since 1977.

With an accumulated public debt of $17.64bn, of which 41 per cent is foreign debt representing some 74 per cent of gross domestic product, the four-month old government headed by the stern economist Prof Anibal Cavaco Silva has vowed to tackle unviable debt-ridden public enterprises or departments. It intends to release resources gradually for a private sector whose needs have been crowded out by the state's voracious appetite for credit to finance its huge debts.

As a sovereign borrower, the Republic of Portugal guarantees most loans taken by public sector enterprises. Should any enterprise be shut down, the Republic will instantly take over responsibility for its internal or foreign debt.

There are strong signs that the administration is about to cut some of its worst losses and that the first target could be Companhia Nacional Petroquimica (CMP). This nine-year-old petrochemical corporation, for which a steam cracker and 12 down-stream units were planned back in the 1960s when crude oil was cheap, became a white elephant when the steam cracker belatedly came on stream in 1982.

Finance inspectors who have been poring over public sector accounts have bluntly stated that CMP is unviable and that it should either be shut or run on a stop-go basis when demand and prices warrant it.

Last year, CMP lost the equivalent of $224m. Such crippling losses have been attributed to weak capital ratio, excess capacity, obsolete equipment, weak structures, and delays in building the units whose production costs trebled because of a three-year delay.

After running up domestic and foreign debts of $890m by the end of 1984, CMP is now understood to owe $750m abroad and $500m at home. A government decision is expected soon: CMP employs 2,000 people, is a factor that must be taken seriously into consideration.

The decision on the petrochemical complex will be only the beginning of a ruthless examination of the potential of other public sector enterprises.

Quimigal, the chemicals/fertiliser/metallurgy conglomerate, which inspectors believe invested unwisely in unprofitable units like pelletising and fibre glass, has also run up serious losses and debts.

In the case of Quimigal, the solution appears to point towards restructuring of a number of sectors and possible closure of some of the most unprofitable areas, but not the end of the enterprise.

Tough price talks ahead in Soviet-Romania oil pact

BY LESLIE COLITT, RECENTLY IN BUCHAREST

A SOVIET-ROMANIAN agreement last December under which Moscow said it would *sharply increase deliveries* of oil to Romania will involve "tough negotiations" over prices according to Romanian officials.

The Soviet Union agreed to step up its oil supplies to Romania by 250 per cent over the next five years or 5m tonnes *annually. It was part of an* accord calling for an increase of some 70 per cent in their bilateral trade from 1986 to 1990.

A senior Romanian official said the trade agreement with Moscow amounted to a letter of intent. Concrete trade agreements took place annually when the two sides compared lists of commodities to be exchanged, and their prices.

The official, who did not wish to be identified, said that in the past Moscow had refused to sell Romania oil for *"political reasons."*

Now the Soviet Union said it would sell Romania as much oil as it needed, provided it could deliver enough of the goods Moscow wanted.

This would be the main barrier, he explained, to expanding trade with the Soviet Union beyond last year's 20 per cent of total Romanian trade.

Mr Mihai Croitoru, a deputy director at the Ministry of Foreign Trade, said Romania aimed to buy 5m tonnes of oil from the Soviet Union this year compared with 2m tonnes last year. But he said Bucharest would "wait and see" how far world oil prices fell before negotiating with Moscow.

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EUROPEAN NEWS


Kurt Biedenkopf . . . bouncing back

Biedenkopf returns to CDU front rank

BY RUPERT CORNWELL IN BONN

SOME MAY be delighted, others, not least among them Chancellor Helmut Kohl, may feel rather differently. But on one thing there is no argument: the "professor" is back, and in some style.

In Dusseldorf last weekend Mr Kurt Biedenkopf was triumphantly elected, by a 91 per cent majority, to be the first chairman of a unified Christian Democrat (CDU) party in North Rhine-Westphalia, the most populous, most industrialised and, in electoral terms most important, state in West Germany.

His success not only places the combative 56-year-old Mr Biedenkopf in the front rank of the ruling CDU, in theory at least the controller of no less than a third of the delegates to annual party conferences, it also seals one of the country's more notable polical comebacks of recent times.

Just two years ago, Mr Biedenkopf seemed a man with a bright future behind him. A swift ascent through the party hierarchy had elevated him between 1973 and 1977 to general secretary of the CDU, and to most people's short-list of possible chancellors.

But his didactic bent—gained from stints at Frankfurt and then Bochum Universities—coupled with his inability to hide a considerable and undisputed intelligence beneath a bushel of modesty, was not to everyone's taste. It was least of all to that of Mr Kohl, who in 1976 had become leader of the CDU/CSU opposition in the Bundestag to the then Social Democrat government of Helmut Schmidt.

Curiously, the two were born in 1930 within three months of each other, in Ludwigshafen on the Rhine. Temperamentally, though, they are as different as chalk and cheese and were bound to clash. In early 1979, Mr Biedenkopf made the error of circulating a memorandum demanding Mr Kohl's replacement, and then of supporting the claims of Mr Franz Josef Strauss, leader of the Bavarian CSU, to fight the federal election of 1980 against Mr Schmidt.

In the event, Mr Strauss did fight it—and lost. But Mr Biedenkopf, suspected of having little at heart beyond his own prospects, paid a heavy price by largely forfeiting the trust of his own party.

The summer before he had suffered the indignity of winning re-election as head of the CDU in Westphalia—enemy rather than ally of the party's parallel organisation covering the North Rhine half of North Rhine-Westphalia—by a meagre 60 per cent of the vote. His future darkened still further, if possible, when Mr Kohl became Chancellor in 1982.

Provocative Biedenkopf ideas could still enliven a somewhat humdrum CDU policy landscape. It is true. But in 1984 Mr Kohl attempted to rid himself of Mr Biedenkopf for good by proposing him for the job of president of the EEC Commission in Brussels. The effort failed—to the present gain of his rival.

His chance came, ironically, with the CDU's electoral disaster in North Rhine-Westphalia last May, when its record low score of 36.5 per cent was largely blamed on the party's dismal organisation, split as it was between two competing power centres. A merger could be delayed no longer and in the arduous, sometimes angry, negotiations, Mr Biedenkopf by common consent did not put a foot wrong.

Mr Biedenkopf aims to be back in the Bundestag after the federal election of 1987, although he will remain chairman of the CDU in North Rhine-Westphalia until 1988. First though, he has to help the Chancellor win next year—something which suddenly seems rather less certain than it did a few weeks back.

If the CDU-led coalition is to succeed, it must recoup the 1.7m votes lost in 1985 in North Rhine-Westphalia, whose Premiere happens to be Mr Johannes Rau, the SPD opponent of Mr Kohl for the chancellorship. If it fails, it may not just be Mr Kohl who pays the price.

Spain to vote today on Nato membership

By David White in Madrid

AFTER A debate that has divided families and created tensions in political parties, Spain today holds its long-promised referendum on Nato, which could lead to withdrawal from the alliance.

If it did, Spain, which was the last country to join in 1982, would become the first to abandon the organisation since its foundation in 1949.

Despite the heat of the campaign, which ended on Monday night to leave room for the traditional "day of reflection," abstention among the 28.8m eligible voters is expected to be high. The main right-wing Popular Alliance party, which advocates full Nato membership, is maintaining its boycott of what it regards as an unnecessary ballot.

The last opinion polls mostly showed an anti-Nato majority among committed voters but left a substantial undecided margin.

About 18,000 meetings have been held throughout the country during the campaign, including 7,700 by the ruling Socialists, who have moved from their previous opposition to support for maintaining Spain's *status quo* in Nato.

Mr Felipe Gonzalez, the Prime Minister, made a triple bid to swing the vote in the closing hours of the campaign on Monday night, appearing at a Socialist rally, on television and in a radio interview. His final TV broadcast, in which he warned about the "uncertainty" which an anti-Nato vote would create, went to extremes to promote Mr Gonzalez's image as a statesman, presenting him next to a Spanish flag, carefully adjusted to show the crown, and showing film clips of conversations with European leaders.

Pressure groups wage battle of manifestoes

By Our Madrid Correspondent

IN THIS corner, Librarians for Peace and Disarmament. In the other corner, Port Managers for Nato.

A to-and-fro battle of manifestoes for either "yes" or "no" to staying in Nato occupied the advertising pages of Spanish newspapers up to yesterday, when campaigning was suspended. As middle-of-the-road political parties stood back from committing themselves on the referendum, pressure groups of all kinds took over.

Librarians, archivists and museum curators; neighbourhood associations, social security functionaries; 461 Madrid economists; and a long list of writers, actors, lawyer, doctors, architects, teachers and a bull-fight promoter all published petitions for a "no" vote. In Andalucia, a group of priests sent a manifesto to local papers in favour of "no."

On the other hand there were the "Andalucian Mayors for Yes," backed up by "Andalucians for Yes," a collection of flamenco dancers, poets, painters, musicians, farmers, football players and matadors. There were also "Youth Association Leaders for Yes," and "Company Directors for Yes" (most of the signatories, however, coming from the state sector, a lot of them Socialist political appointees).

Anti-Nato politicians, including dissident Socialists, started the contest last autumn. Anti-Nato intellectuals brought retorts from pro-Nato intellectuals, including Mr Severo Ochoa, Spanish-American Nobel prizewinner in medicine.

Outsiders also joined in. A "declaration of US citizens on the referendum," signed by Rev Jesse Jackson, Mr Daniel Ellsberg (of Pentagon Papers fame), and others including several veterans of the Abraham Lincoln Brigade, was fairly non-committal, backing a nuclear ban and cuts in US forces, and urging the Government to respect the result.

Meanwhile, from West Germany came a call for a "no" vote in an advertisement headed "the referendum affects us, too," signed by numerous *professors, a handful* of doctors, a prison governess and a retired pastor.

Paul Betts reports from Chatellerault on the Socialist minister's energetic campaign

Cresson tries to swim against the tide

THERE ARE large chips in the stone facade of Châtellerault's town hall and rising damp is visible on the first floor. Strains have also begun to show on Mrs Edith Cresson, mayor of this small provincial town in central France and the popular Socialist Minister of Trade and Industry.

The last days of the French general election campaign have been hard even for such an energetic woman. To make matters worse, she caught influenza after a hectic visit to New York where she had a final fling selling French exports to America.

But a high temperature has not stopped her criss-crossing the melancholy countryside of *Poitou-Charantes into which she* was parachuted by the Socialists 10 years ago to try to whip up support for her party's cause. It has been an uphill struggle. At local campaign meetings she has had to argue, like other Socialist candidates, that the election has not necessarily *been lost yet to the* Right.

Among many Socialist voters, however, there is a distinct feeling that the end of the longest period of Socialist government in France is near. There is a similar sentiment evident among government officials. Aides of Mrs Cresson, like those of other Socialist ministers, have appeared unusually absent minded in recent days, preoccupied with looking for other jobs and preparing to clear out to make way for the next regime.

At local election meetings, Mrs Cresson has had to exert all her talents as an orator and her considerable personal charm to motivate voters. On Saturday evening, for example, at Le Blanc, another provincial market town like Châtellerault, she had to speak for more than an hour to transform the timid applause at the beginning into the sort of din which makes campaign managers less anxious.

"Since coming to the area, she has worked hard to establish strong local ties in a department which used to vote mainly for the Right," said Mr Alain Claeys, the Socialists' local campaign manager and assistant to the mayor of nearby Poitiers. But he acknowledged that there was not the same enthusiasm as there had been in 1981 before President Francois Mitterrand's victory over the Right.

At local campaign meetings she has had to argue, like other Socialist candidates, that the election has not necessarily been lost yet to the Right. She has had to exert all her talents as an orator and her considerable personal charm to motivate supporters. But among many Socialist voters there is a distinct feeling that the end is near for the longest period of Socialist government in France. There is a similar sentiment evident among government officials who are preparing to make way for the next regime.

The opposition, which has campaigned relentlessly since losing power five years ago, has also sensed that victory is finally within reach. In Poitou-Charentes, led Mr René Monory, the former Economy Minister known locally as "le shériff" because of his tough leadership style, the opposition has been pressing where it hurts the Socialists most—on the issue of unemployment.

As elsewhere in the country, unemployment has been the dominant issue of the campaign in this largely rural region. Although it has suffered far less than the old industrial regions of the north, unemployment has grown by about 30 per cent around Châtellerault since 1981.

For this reason, Mrs Cresson would not have missed a visit last Tuesday to the nearby Hollywood chewing-gum factory. Owned by General Foods of the US, the plant is a rare example *of a job-creating industrial in*vestment, and represents an unquestionable boost for the minister's local campaign.

It also reflects more broadly her attempts during the past two years to attract foreign investment to France and act as a super saleswoman of sorts for French goods and services abroad.

Mrs Cresson today is one of about half a dozen Socialist ministers who are generally credited with having done "a good job" even by many critics of the Left.

She has featured prominently in her party's latest poster campaign showing members of the government and urging France to continue backing what the Socialists call "a winning team." In the same vein, Mrs Cresson's campaign speeches have underlined the Government's social and economic achievements backed by the recent string of encouraging economic figures for trade, investment and inflation.

Locally, the opposition, which has sought to make the most *of the Socialists' failure to halt* unemployment, has tried to counter Mrs Cresson's strong local standing (she was the only Socialist to capture a town of more than 30,000 people from the Right in 1983 when she became mayor of Châtellerault) by proposing a high-technology initiative for the region.

Mr Monory's project is called "Futuroscope" and has been at the centre of the Right's local campaign. The scheme envisages the construction in the Poitiers area of a French *version of Walt Disney's Epcot* centre in Florida. Like that, it would feature a science park showing off the technologies of the future.

The opposition is hoping to win three of the Poitou-Charantes region's four seats in the *National Assembly.* The Socialists would like to win two and have argued forcefully with Communist voters not to sabotage the Left's chances by "throwing away" votes on Communist candidates with little hope of winning seats. However, the Socialists' former partners in government seem extremely reluctant to co-operate — especially since the wounds caused by the collapse of the Union of the Left two *years ago are still* gaping.


Edith Cresson . . . showing the strain.

However, with only a few days to go before Sunday's vote, Socialist campaigners in Poitou-Charantes seem to be gaining last minute confidence that the gap between Right and Left may be shrinking.

"*From the beginning*, even at the local level, this election has been seen as a dress rehearsal for the next presidential election campaign," said Mr Claeys. "The three leaders of the Right — Chirac, Giscard and Barre — have been manoeuvring to enhance their presidential chances in 1988. This battle in the Right has in turn enhanced President Mitterrand's image and own chances."

Indeed, in past weeks, Mr Mitterrand's popularity has been rising in public opinion polls. "This is why I think there could be some surprises," added Mr Claeys.

OVERSEAS NEWS

Mahathir denies wrongdoing in bank scandal

BY CHRIS SHERWELL AND WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMED, the Malaysian Prime Minister and his two most senior Cabinet members yesterday denied any implication of wrongdoing suggested by a report investigating losses of M$2.26bn (£622m) by the state-owned Bank Bumiputra.

The denials were contained in a government white paper on the scandal, which was tabled in Parliament yesterday at the same time as the 1,075-page report, by an official three-man committee, was formally published.

The paper gives the Government view of the affair and letters from a number of the ministers contained in an appendix comment on the circumstances under which their names came to be mentioned in the report.

Apart from Dr Mahathir, they include Datuk Musa Hitam, the deputy Prime Minister, and Tengku Razaleigh Hamzah, Malaysia's Finance Minister during the affair and now Trade and Industry Minister.

The white paper, broadly corroborates the report's accounts of events leading up to the collapse in March 1983 of property speculator Mr George Tan's Carrian Group of companies.

When the Carrian Group and other companies linked to Mr Tan were hit by liquidity problems in October 1982, Bank Bumiputra launched a highly costly rescue bid shortly after the collapse.

Dr Mahathir, in a letter written two weeks ago to the current Bank Bumiputra chairman, says he agreed to the bank's efforts to recover money from Mr Tan and Carrian. But he adds, "I was not told of the detail and was not in any way involved in the implementation of those measures."

Dr Mahathir also says that he did not know Mr Tan personally and that his United Malays National Organisation which dominates the ruling coalition Government, received no money from Mr Tan and his company.

His denial appears surprising since the report does not mention his involvement but appears designed to counter speculations that Umno could have benefited indirectly from Bank Bumiputra's loans to the Carrian Group.

Datuk Musa, in his letter of February 18 1986, confirms that he held meetings with Dr Rais Saniman, a Bank Bumiputra official. He says their discussions concerned Malaysia's external borrowing, and were not connected with the matters investigated by the committee.

Tengku Razaleigh describes as "slanderous" allegations in the report that he authorised an agent to negotiate on behalf of the Malaysian Government for the purchase of Gammon House. The report says Carrian purchased the Hong Kong building with the intention of reselling it as a quick profit to the Malaysian Government. The Government in fact bought another building, "according to proper procedures," says Tengku Razaleigh.

S. African police fire on school children

By Anthony Robinson in Johannesburg

SOUTH AFRICAN police yesterday opened fire with birdshot on a crowd of several thousand schoolchildren outside a court house at White River in the Eastern Transvaal killing at least two and injuring at least 81 others who are in hospital under police guard.

Eyewitnesses said scores of injured lay on the ground after the shooting which occurred yesterday morning. According to the police, more than 3,000 children gathered outside the court in support of eight classmates facing trial on public violence charges during unrest in the nearby township of Kanyamazana last month. Several buildings and 23 vehicles were burnt during the unrest, police added.

According to Mr Enos Mabuza, chief minister of the KaNgwane homeland, the students had forced open a gate which was closed to keep them out of the court room when police suddenly arrived and started shooting at random.

Meanwhile, Mr Mkhuseli Jack, the chief organiser of a black consumer boycott in the Eastern Cape who last week told a London press conference that a national boycott campaign backed by trade unions will start shortly, was yesterday served with a five-year banning order under the Internal Security Acts. A similar ban was also placed on Mr Henry Fazzie, a local leader of the United Democratic Front.

Ms Marion Sparg, a 27-year-old former journalist, has been detained for questioning in connection with last week's limpet mine explosion at John Vorster Square police station in Johannesburg.

More than 7,000 black gold miners at the Blyvooruitzicht gold mine owned by Rand mines, 100 kms west of Johannesburg, continued their strike action yesterday. The morning shift went down the mine but refused to work.

The week-long strike at Vaal Reefs gold mine near Orkney on the West Rand, however, ended yesterday as several thousand miners returned to work on all strike-affected shafts.

US releases $150m aid to Egypt

BY TONY WALKER IN CAIRO

THE US is releasing $150m of aid money allocated to Egypt after holding up payment because of disquiet about lack of progress towards economic reform. The decision to release the cash coincided with a visit to Cairo this week by Mr Richard Murphy, the US Assistant Secretary of State for Middle East Affairs.

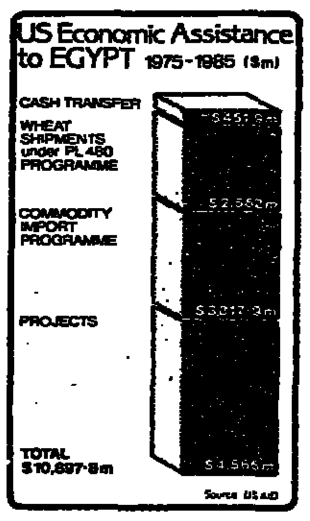
US officials are making it clear that a more stringent approach is being adopted towards aid appropriated, apart from Israel, Egypt is the largest recipient of American assistance, absorbing some 20 per cent of all aid funds.

The US is urging Egypt to press ahead with agricultural pricing reforms that would encourage individual farmers to increase productivity, reduce subsidies which are a crushing burden on the national budget, curb imports in an effort to head off a balance of payments crisis and — most particularly — give more encouragement to the private sector.

US officials complain about a gap between "rhetoric and action" in Egypt's approach towards its economic troubles.

A senior official said that in the past year the Egyptian government was making the "right noises" about assistance to the private sector, but was slow to translate this into effective programmes.

The US itself is directing more of its assistance towards the encouragement of private entrepreneurs. About 25 per cent of the US aid allocation will go to programmes to assist such people this year, rising to 50 per cent over the next several years.



"One of our big efforts here is to persuade them they've just got to open up more to private enterprise and this means their own private enterprise first," said the official. "The government has got to get out of the business of producing consumer goods."

Egypt is receiving about $1.3bn in US civil aid this year, the same amount as last year. This includes a cash supplement totalling $500m over fiscal years 1985 and 1986 in addition to funds originally approved in the aid budget. Egypt had asked for the additional cash to help it weather the present economic crisis.

It is a $150m portion of this cash supplement that has been held up plus a further cash transfer amount of $115m out of the original aid budget. A US official pointed out that the $500m supplementary appropriation in 1985 and 1986 had "created a whole new ball game" because this was the first time since America began its massive aid programme to Egypt in 1975 that a large cash sum was being provided. Almost all aid has been allocated for specific projects.

"We're not going to give cash to any country in the world unless we feel we can sit and have a dialogue with them about macroeconomic concerns that make such assistance necessary," the official said.

Since 1975, the US has appropriated — as opposed to disbursed—more than $10bn in development assistance to Egypt, including project aid, commodity assistance, wheat shipments under the PL480 programme and cash transfers. Sales of American military equipment at concessionary terms and, since 1984, under a grant aid scheme, total some $6bn.

US officials, in their efforts to prod the Egyptian Government into more decisive action in tackling Egypt's economic difficulties, which include a burdensome foreign debt, are insisting that America is not assuming the responsibilities of the International Monetary Fund. "We don't want to get into an IMF-type relationship with Egypt," an official said.

One message the US is trying to impress on Egypt, the official said, is that American assistance cannot be taken for granted. "The only thing you can say about US assistance programmes is that they don't last forever," he said. "You've got to take advantage of them while you've got them."

Taiwan protests change of name

By Robert King in Taipei

TAIWAN yesterday strongly protested against the Asian Development Bank's decision to rename its delegation Taipei China at the same time it admitted China as a full member of the organisation.

Referring to the redesignation as "unfortunate and deplorable," Taiwan's Foreign Ministry said the ADB's action violated its charter as a non-political organisation.

The statement did not, however, even hint at a possible withdrawal from the ADB in protest, an option that some hardliners here had suggested. Such a withdrawal would have left Taiwan without representation in any major international organisations except the Olympics. Taiwan's continued claim to represent all of China and its insistence on its designation Republic of China have in the past resulted in walk-outs or expulsions from the United Nations, the World Bank and even Interpol.

Uncertainty over Taiwan's future status in the bank has been rife since China first announced its intention of joining the ADB more than two years ago. At the time China demanded Taiwan's expulsion as a condition of its membership. But in the face of concentrated opposition especially from the US, a major supporter of the bank, China dropped its demand and instead began pushing for a change of name for the Taiwan delegation.

Taiwan has traditionally resisted pressure for such changes because the Government feels they downgrade Taiwan to the status of a local government implicitly under the sovereignty of Peking.

Chinese visit to Sri Lanka

BY MERVYN DE SILVA IN COLOMBO

CHINESE President Li Xiannian arrived in Colombo yesterday from Dhaka on the second leg of a five-nation tour. He is the first Chinese leader to visit Sri Lanka since Premier Chou En Lai came here in 1964.

Though the three-day visit, like other to Bangladesh, Egypt, Somalia and Madagascar, is a reciprocal gesture, Western, Soviet bloc and South Asian diplomats are taking unusual interest in it because of increasing tension in Sri Lanka's relations with India.

When President Jayewardene visited China in May 1984, President Li made a point to denounce what he called "the bullying of small nations" and condemned "regional hegemonism." In a conversation between the two leaders, the Chinese head of state coined the term "sub-superpower" to describe some regional hegemonists, without naming them.

Fears grow for Saudi currency

BY KATHY EVANS IN KUWAIT

THE DELAY in publication of Saudi Arabia's budget will depress local private-sector confidence and increase fears of a devaluation in the riyal, said bankers and diplomats in the kingdom yesterday.

In the days preceding the budget, speculation was rife that the Saudi authorities would simultaneously announce a devaluation along with a new budget. Now that the anouncement has been delayed by at least five months, even the most sceptical bankers said that if the oil market did not improve within the next four or five months, a devaluation of the riyal would be "almost inevitable."

The Saudi riyal came under intense speculative pressure yesterday and dealers said that day-to-day rates rose to 20 per cent and higher, while forward sales of riyals against the dollar pushed Saudi interbank rates higher and higher.

Other sources said that the delay would mean that no new contracts would be signed during the next five months. King Fahd's statement said, however, that all social benefits for Saudi nationals would be protected and that some SR 6bn (£1.14bn) would be spent monthly to pay existing contracts.

"But the delay already means that the new budget, when it comes, will be an austerity one—designed to warn the business community," said one observer.

Foreign diplomats also pointed out that the decision to budget monthly for the next five months did not mean necessarily that the budget would be published in August. The Hajj occurs in August, and the pilgrimage season is not one marked by major decision making in the kingdom. Many believed that the budget would be delayed until such times as the oil market showed signs of stability or a pick-up in oil demand for the winter season was apparent in the autumn period.

Another reason for the delay, according to some observers, was the publication of the budget at this time would have indicated the kingdom's future oil strategy—just days before an extraordinary meeting of Opec.

The King in his televised address said that government ministries had been told to work to existing budgets worked out for 1985-86. Estimates of income and expenditure vary widely, but spending during that fiscal period was thought to have ranged between SR 150bn to SR 170bn ($41bn to $46bn) with income estimated at SR 130bn ($35.6bn). However, oil revenue was said by one banker to have been only $9bn in the first half of the fiscal year.

With the oil market worsening, the kingdom will have to trim back further in the next few months before publication if the new budget is to avoid substantial drawdowns on reserves in the new budget.

One Gulf banker said that some ministries had already been order to cut back by between 15 and 30 per cent. Those ministries affecting the welfare of Saudi nationals experienced the smaller cuts.

Koreans mount peaceful protest to urge reform

By Steven B. Butler in Seoul

SOUTH KOREA'S political opposition yesterday took to the streets by the thousands in an unprecedented peaceful demonstration for constitutional reform.

Hundreds of police stood by and watched as up to 3,000 opposition party members and dissidents marched through downtown Seoul.

The display is believed to be the first anti-government demonstration tolerated by the authorities since Mr Chun Doo-Hwan assumed the presidency in 1980. Three weeks ago, police placed some 200 opposition members under temporary house arrest to prevent them from attending meetings in connection with the petition drive to revise the constitution.

The campaign received an unusual boost at the weekend when Stephen Cardinal Kim Sou-Hwan, chief prelate of Korea's Roman Catholic church, came out in support of revising the constitution.

Uganda party ban

President Yoweri Museveni of Uganda, whose guerrilla army took power in January, has suspended indefinitely organised activities by political parties, AP writes from Kampala.

Lesotho funds missed

Lesotho's military leader Maj. Gen. Justin Lekhanya said yesterday about 100m meloti ($50m) was missing from accounts of the previous government of Chief Leabua Jonathan, and that some of the funds apparently had been misappropriated.

AMERICAN NEWS

Soviet Union warns of danger to summit

BY DAVID BUCHAN IN MOSCOW

THE Soviet Union yesterday protested formally against the US demand that it cut by 100 its diplomatic staff at the United Nations in New York over the next two years, and warned that the move could jeopardise the next superpower summit.

The protest, which described the US demand as arbitrary and a flagrant violation of American obligations as the host country of the UN, was delivered orally to Mr Richard Combs, the US chargé d'affaires, at the Soviet Foreign Ministry. The text was issued by Tass, the official news agency.

US allegations that Soviet staff in New York indulged in activities, including espionage, unrelated to their UN work, were "utterly far-fetched and unfounded," it said.

The US move did direct damage to US-Soviet relations, the Soviet protest said. "The US Administration must realise that such actions strengthen mistrust of its policies and by no means create a favourable background for a summit meeting." The Kremlin would be forced to draw "the appriprate conclusions."

US and Soviet leaders had already been sparring over the summits. Two weeks ago, Mr Mikhail Gorbachev hinted he might not attend this year's planned follow-up meeting in the US to last November's Geneva Summit, unless concrete progress was achieved in disarmament.

President Reagan then responded that he might stay away from a third planned summit in Moscow in 1987 if Mr Gorbachev boycotted this year's meeting. Even before that exchange, the two sides were at loggerheads over dates for the 1986 summit, with the US insisting on a June or July meeting and the Soviets on a September meeting.

Many diplomatic observers here believe the Kremlin still wants this year's summit to go ahead, and that it may, for instance, await the view of Mr Javier Perez de Cuellar, the UN Secretary General, on the US demand before taking any retaliation.

One possible step, the Soviet protest note hinted, might be to halt implementation of last November's accord to set up consulates in New York and Kiev.

This, US officials admit, would be a greater loss to the US which stands to gain through a Kiev consulate a new window on the Ukraine, the second most populous Soviet republic. The Soviet Union already has a large presence—too large, the US claims—in New York.

The US has complained that the three delegations of the Soviet Union, the Ukraine and Byelorussia (all of which are seated at the UN) are larger than those of the next two biggest national delegations combined, including the US. Yesterday's protest note described comparisons with the US as irrelevant. The US delegation had the State Department and private companies to cater for it, while th Soviet mission had to provide for all its own neds.

Senate may consider bank reform legislation

By Our Washington Staff

SENATOR Jake Garn, chairman of the US Senate Banking Committee, said yesterday he was planning to reintroduce banking reform legislation into Congress perhaps as soon as next month.

He said that one focus of the legislation will be reform of the Federal Deposit Insurance System which provides insurance for bank customers of up to $100,000 (£715,000), but it might also include efforts to increase the investment powers of banks.

In spite of the sharp fall in interest rates there is continuing concern in the US about the strength of the financial sector, particularly banks which have lent relatively large sums to farmers and the oil industry.

Mr Preston Martin, Federal Reserve Board vice-chairman, told a congressional committee yesterday that the bank regulatory agencies, including the Fed, are in favour of an easing of bank rules restricting the acquisition of failing banks across state lines

White House asks Congress to approve Saudi arms deal

BY STEWART FLEMING IN WASHINGTON

THE Reagan Administration yesterday asked Congress to approve the sale of $354m (£253m) worth of advanced missiles to Saudi Arabia, but the deal ran into opposition

Senator Alan Cranston, a Democrat, announced even before the formal request arrived on Capitol Hill that he would oppose it "because of the hostility the Saudis have shown for fundamental US national security interests in the Mideast."

The argument that Saudi Arabia has not been sufficiently supportive of the US peace initiatives in the Middle East and its efforts to combat terrorism in the region is likely to figure prominently in the battle over the sale which would provide Saudi Arabia with some 1,700 Sidewinder air-to-air missiles, 800 Stinger surface-to-air missiles and about 100 anti-ship missiles.

An influential factor which will help to shape Congressional attitudes will be the reluctance on Capitol Hill to endorse in an election year an initiative which is opposed by the powerful Israeli lobby.

Under US law, Congress will have 50 working days to consider the sale which will go ahead unless it is blocked by a majority vote in both the House and the Senate.

The President could veto a resolution of disapproval but this could be over-ridden by a two-thirds majority vote in both the House and the Senate.

Peru to buy fewer Mirages

By Doreen Gillespie in Lima

THE FRENCH Government has agreed to allow Peru to reduce its order for 26 Mirage aircraft with Marcel Dassault Aviation Company of France without collecting penalties, according to Mr Allan Wagner, Foreign Affairs Minister, who was in Paris last week.

Financing details and the number of aircraft to be delivered is still being negotiated. Peru would like to cut the order, placed by the previous administration in 1982, to 14 aircraft. This would save the country $350m, according to Mr Wagner.

President Garcia, when he took office last July, announced that Peru would halve the order for Mirages from France as part of Government austerity measures, but Marcel Dassault would not then accept the reduction without collecting compensation. An earlier plan to transfer half the order to Saudi Arabia fell through late last year.

The total cost of the 26 aircraft had been set at $728m to be paid over 10 years. Peru paid $77m on placing the order and a further $62m at the end of 1984.

Mr Javier Abugattas, Peru's director of public credit is due in Paris this week to continue negotiations.

Ecuador leader says troops will surround rebel's base

PRESIDENT Leon Febres Cordero of Ecuador has postponed the deadline for his rebel former armed forces chief to surrender but warned that government troops will surround his base at dawn today, Reuter reports from Quito.

Mr Febres Cordero, in his first public statement on the crisis since it erupted last Friday, said Gen Frank Vargas Pazos was guilty of insubordination and rebellion.

"You ... are not worth a drop of Ecuadorean blood," Mr Febres Cordero told Gen Vargas in a television broadcast on Monday night.

Gen Vargas, sacked by Mr Febres Cordero as armed forces chief and head of the air force last Friday for insubordination, had rejected a presidential ultimatum to surrender his command of the Pacific coast air force base of Manta by Monday night.

Gen Vargas told reporters at the air base that he would take to the mountains if necessary, but he would not surrender.

Mr Febres Cordero said: "At 6am on Wednesday the military encirclement will begin. You have until that hour to give yourself up like a soldier; like a worthy man; like a man of honour; and all the time you want to do it without honour."

The President said his troops had orders not to fire on the air force base unless they were openly provoked.

Reporters in Manta, 255 miles south-east of the capital, said paratroopers had begun arriving at a nearby airport on Monday night. But they said the landings appeared to have stopped after aircraft from the base flown by pilots loyal to Gen Vargas, and armed with rockets and bombs, began low-level sorties over the area.

Some 300 people, apparently supporters of Gen Vargas, who had gathered half a mile from the air base and who were being checked by police, broke through the security cordon and went to the air base.

Gen Vargas's statements have become increasingly political and yesterday he criticised Mr Febres Cordero's economic policies, calling on Ecuadoreans to defend democracy and justice.

The rebel general has accused Gen Luis Pineiros, Defence Minister, and Gen Manuel Albuja, the new chief of staff, of corruption, citing this as the reason for his actions.

Earlier on Monday, Gen Vargas, reacting to Mr Febres Cordero's ultimatum, said: "I will stay in the place that allows me to fight decently against this tyranny. If I have to I will go to the mountains and join with my people, and from there we will do what we have to do."

Representatives from nearby towns have flocked to Manta to pledge support for Gen Vargas. In the city of Chone, where Gen Vargas was born, nearly 2,000 people marched through the streets yesterday in support of him.

Chone residents are also organising a caravan of food and supplies to the base at Manta, where electricity and water have been cut off since the crisis began.

Gen Vargas says he has 1,000 troops at the base. They have been digging in, preparing camouflaged machine gun nests and deploying anti-aircraft guns against a possible attack.

The crisis blew up on Friday after a heated exchange between Gen Vargas and Gen Pineiros at the Defence Ministry.

Mr Febres Cordero said earlier through a provincial governor that if Gen Vargas did not surrender by Monday night, he would say on television what measures were to be taken against him.

Gen Vargas appeared incensed by Mr Febres Cordero's indirect ultimatum, saying it should have been sent through government ministers or military chiefs.

"I have been threatened in an imprudent manner. If he is a brave man, the governor should come to me with a weapon (for a duel) and I will show him that he is a coward," Gen Vargas said.

United to fly from China

UNITED AIRLINES has solved a bureaucratic hitch that had kept it from operating regular flights from China on a route purchased from Pan American World Airways, United said yesterday, AP reports from Peking.

In Hong Kong, the airline announced that it would add 10 new weekly flights from the US to the Pacific later this year.

The new flights will operate between Honolulu and Hong Kong, between San Francisco and Taipei and between New York and Tokyo. The airline said it also would increase seat capacity on its service between San Francisco and Osaka, Japan.

United began flying to Asia on February 12, after it acquired Pan Am's Pacific operations and certain aircraft under an April 1985 agreement.

As a result, United's Boeing 747SP jetliners could not sell tickets in China, and its aircraft were arriving as charter flights with about 150 passengers aboard but departing with only 40 or 50 people who bought tickets before the ownership change.

Mr George Vlachos, the airline's Peking office director, said last month that return tickets had to be endorsed over to Japan Air Lines or CAAC.

Canadian bank regulator quits

CANADA'S chief bank regulator has taken early retirement amid widespread criticism on official supervision of the banking industry following last year's collapse of two Alberta institutions and financial difficulties experienced by several other small banks, writes Bernard Simon in Toronto.

Mr William Kennett, the widely respected Inspector-General of Banks, said his retirement at 53 was not connected to the banking crisis. Mrs Barbara McDougall, Minister of State for Finance, said Mr Kennett had requested early retirement under a voluntary government programme.

It has been clear for several months however, that Mr Kennett would be an early victim of last year's events, which included the failure of Canadian Commercial Bank (CCB) of Edmonton, bailed out earlier by the Government and the six largest banks.

Panama meets creditors as anger over austerity grows

CASH-STRAPPED Panama is holding crucial talks with its creditors this week as protests spread over austerity measures agreed on by the Government to secure financial relief, Reuter reports from Panama City.

Mr Ricaurte Vasquez, has begun talks with the International Monetary Fund (IMF) and international bankers over a $46m (£33m) EMF loan and final approval of the financial package agreed by commercial creditors last year. This would clear the way to refinancing of the $579m of debt due this year.

As Mr Vasquez began his meetings, Panama's largest labour confederation, the 70,000-member National Council of Organised Workers (Conato), started an indefinite nationwide strike in protest over labour law reforms contained in the Government's austerity package, which was recommended by the IMF and the World Bank.

...Conato said some 80,000 government workers were expected to join the stoppage, which has brought widespread disruption in Panama City. But an official spokesman said they were working normally.

Business leaders and opposition politicians have also criticised the austerity measures, which attempt to slash subsidies and reduce protectionism for local industry, saying they mark the beginning of the end for Panama's military-backed Government.

Approval of the commercial loan package, expected last December, was held up after the World Bank told Panama's creditors the economic adjustment programme the country pledged to enact three years ago was "dormant."

Arms negotiator resigns

FORMER US Senator, John Tower, has for "personal reasons" submitted his resignation as a US arms control negotiator, and President Ronald Reagan will accept it, White House spokesman Mr Larry Speakes said yesterday, AP reports.

Mr Tower's move "was for personal reasons. It was not over policy differences."

WORLD TRADE NEWS

Democrats renew attack on 'unfair trade practices'

BY NANCY DUNNE IN WASHINGTON

BRAZILIAN and South Korean import barriers, markets closed to foreign telecommunication sales and EEC sugar subsidies have come under renewed attack in Congress by the Senate Democratic working group on trade policy.

The group has written to President Ronald Reagan asking him to investigate alleged unfair trade practices by the EEC, West Germany, South Korea, and Japan.

The Senators have already examined information provided by Dr Clayton Yeutter, US Trade Representative, and they want the Administration to negotiate an end to the alleged practices or to retaliate, under Section 301 of the 1974 Trade Act.

When the President promised a more aggressive stand against "unfair trade" last autumn, the Trade Representative's Office initiated several unfair trade cases on its own. A spokesman at the Trade Office said the Democrats' case would receive serious consideration.

According to the group, EEC sugar subsidies "have broken the back of the world sugar market, which has had a devastating effect on the efforts of the US to build up stable governments in the Caribbean Basin."

It says the subsidies costs these countries $3bn a year (it makes no mention of the cost of the US sugar quotas), and asks that the US take the charges against the EEC to the General Agreement on Tariffs and Trade.

The Democrats, who are expected to make trade a major campaign issue in next November's Congressional elections, say complaints should also be pursued against:

● West Germany, Canada and Japan to open up their domestic telecommunications markets;

● Mexico for its unwillingness to protect US patents;

● Brazil for its barriers to the export business aircraft.

Negotiations began last week on the Administration's case against Japan for protection of its tobacco industry. The Administration is reported to have decided to drop its case against wheat subsidies.

Philips defends megabit chip project

By Laura Raun in Amsterdam

A PHILIPS board member yesterday vigorously defended his company's project to develop the newest generation of microchips against claims that it was falling behind Japanese and US competition.

Mr Sjorg Van Houten told a microelectronics congress in Amsterdam that the Dutch electronics company would have samples of its new one megabit memory chip on the market at about the same times as other chip makers, in 1988, with commercial production to follow.

Philips is developing a submicron (smaller than one-one thousandth of a millimetre) Static Random Access Memory (SRAM) chip as part of the so-called mega project with Siemens of West Germany.

Mr Van Houten claimed that Philips was right on schedule with development of its one-megabit SRAM. But when the megaproject was launched in the autumn of 1984, Philips predicted it would begin pilot production this year. Now that will not happen until September 1988.

The Philips executive rejected reports that several companies including Toshiba and Matsushita of Japan would begin making samples of a one megabit SRAM as early as next year.

Manila to vet deals in anti-bribery drive

BY ALAIN CASS, ASIA EDITOR, IN MANILA

THE NEW Filipino Government is to vet all contracts involving public funds, whether they involve foreign or domestic companies, in a drive against corruption.

Many contracts will have to be submitted for vetting before being signed, probably those in excess of $5m (£3.5m), and all deals will be scrutinised after closure.

The vetting will be done by the Commission on Audit, an existing body with wide powers to institute civil and criminal proceedings, which has been given a new mandate by Mrs Corazon Aquino, the new President.

The commission's newly-appointed chairman, Mr Teofisto Guingona, said yesterday that his aim was "substantially to minimise kickbacks,

The commission is also investigating past contracts which may have been won by foreign companies by bribing officials in the regime of former President Ferdinand Marcos. "We will go after these people, past or future, and take whatever action is necessary," said Mr Guingona. "We shall also name them."

Mrs Aquino's Government has alleged that fortunes were made both by President Marcos and many of his close associates by taking bribes from foreign companies. The commission is investigating a report alleging that Mr Marcos received $80m for awarding the $2.1bn contract for the controversial Bataan nuclear power plant to Westinghouse of the US.

It also intends challenging Westinghouse in the courts over the original contract which, said Mr Guingona, was defective. The plant "symbolises an extravagant waste. It was supposed to cost $500m. It ended up costing over $2bn."

One of the biggest sources of "anomalies"—the Government's euphemism for bribes—was what Mr Guingona described as inflating the price after the original contract was implemented.

Mr Guingona, a former president of the country's Chamber of Commerce and governor of the Development Bank of the Philippines, said yesterday, his first day in office: "Kickbacks have been responsible for retarding our economic growth.

He said, however, that the job of his office was not to retard development but assist it. "You can assure companies that there will be no harassment, no delays and no unnecessary bureaucracy."

The amounts involved in the public sector are substantial and the new anti-corruption drive and audit is bound to have an effect, diplomats believe, on the ability of companies to deal with the Philippine Government. The public sector investment budget for the 1985-89 five-year plan amounts to Pesos 144bn ($7.2bn).

William Hall in New York adds: Mr Robert F. Pugliese, Westinghouse's general counsel, said yesterday that "the claims are (against Westinghouse) not new. They have been thoroughly investigated by the US Government." He said the US Securities and Exchange Commission and the Department of Justice had investigated the allegations "and in neither instance was Westinghouse charged with any impropriety."

Westinghouse said construction of the nuclear power plant, begun in 1976 at a budgeted cost of around $600m had been completed but said that it was not yet operating because the local utility had not received permission to load nuclear fuel into the plant.

Westinghouse said that they had not been informed of any Philippine plans to challenge the original contract and contested the allegations that it was "an extravagant waste."

The company said construction had begun just as world inflation was starting to rise rapidly and construction was delayed 18 months while alterations were made after the Three Mile Island accident in the US six years ago.

Cockfield warns on EEC food standards

BY IVO DAWNAY IN BRUSSELS

LORD COCKFIELD, the EEC Commissioner for the internal market, has issued a stern warning to his colleagues that moves to establish new quality standards for pasta threaten to unravel a crucial element in the programme to break down barriers to intra-Community trade.

The food standards issue emerged last week when Commissioners representing Mediterranean member states voted to abandon legal moves against France, Italy and Greece over their requirements for pasta.

Last autumn, Lord Cockfield won Commission support for a new strategy on food policy aimed at speeding the removal of internal barriers to trade.

This ditched efforts to establish Community-wide definitions of food products—the exact recipe for beer, for example—in favour of a general liberalisation.

The policy proposed that in future all food that meets the necessary health and labelling standards would be saleable throughout the Community. By adopting such an approach, it was believed agreement could be reached by the end of this year.

In a letter to his fellow-commissioners, Lord Cockfield has warned that plans mooted to create a special status for pasta, exempting its quality standards from the general liberalisation, could provoke an avalanche of similar claims.

The Commission is expected to discuss a special pasta directive in a fortnight's time.

Bonn resumes Polish credit

West Germany and Poland have agreed on the resumption of official German export credit guarantees for exports to Poland of up to DM 100m, Reuter reports from Bonn.

Mr Martin Bangemann, German Economics Minister, said the agreement on export credits, reached during a two-day meeting of the joint German-Polish economic commission, was made possible by Warsaw's progress in rescheduling its debt.

Japan oil purchase pact with Iran breaks down

BY KATHY EVANS IN DUBAI

JAPAN'S counter-purchase agreement with Iran under which Japanese exports were tied to the amount of oil it purchased, appears to have broken down following the oil price collapse.

Under the agreement, Japan could export only 50 per cent of the value of its crude oil imports from the Islamic republic. The agreement was monitored by a co-ordination committee.

Last year, when Iran began experiencing severe foreign currency problems, letters of credit appproved by Iran's Commerce Ministry experienced difficulties in approval at the Iranian Central Bank. "The committee's activities subsequently became meaningless," said one Japanese trade official.

Japanese oil buyers are now resisting offers by Iranian oil officials to renew their term-contracts when they expire in April. The current contract requires the Japanese trading companies to lift 450,000 barrels a day, but since then, Japan has signed substantial contracts with Iraq.

During a recent visit to Tokyo National Iranian Oil Company officials were reported only to have offered net-back deals based on Singapore. Japanese buyers were insisting that the spot prices of Dubai and Oman crudes be included in the calculaions, which Iran has refused. The two Gulf crudes are reported to be selling between $11 and $12 a barrel, traders in the region said.

The Iranians are still insisting on the original terms of the deal, but Japanese trade officials say that with the foreign currency shortage, the data is not even being collected.

Japanese oil purchases have subsequently switched to Iraq, and purchases from the pipeline at Yanbu are running at 210,000 b/d. Negotiations are continuing over the price of the crude being lifted.

The Japanese say they would prefer to calculate the Iraqi oil price based on the spot valuations of Dubai, Oman and Saudi's Arab Light.

Difficulty has arisen, though, over how to assess the spot value of the latter crude, for Arab Light is not being traded in the spot market. The controversy over the formula has led the Japanese to reduce imports of Iraqi oil by 30,000 b/d in the quarter.

Belgium, Italy in key gas talks with Algerians

BY FRANCIS GHILES

SONATRACH, the state Algerian oil and gas monopoly, *is engaged in key talks with its* Belgian and Italian customers.

It is holding talks with Distrigaz, the Belgian company which should have been completed on January 1, on the price the Belgians will pay and the quantity of gas.

Talks are also under way with Ente Nazionale Idvocarburi (ENI) of Italy and negotiations are due to start with Gaz de France this autumn.

When the contract signed by Distrigaz 10 years ago came into force in November 1982, the Belgians bought 2.5bn cubic metres of gas from Sonatrach in the following 12 months, 1bn of which was ceded to Gaz de France.

Belgium still imports its gas through the French port of Montoire, near Nantes. The Algerian liquified natural gas is re-gasified there, pending completion of the port and re-gasification plant at Zebrugge.

The fob price of Algerian gas was $4.8 per 1m BTU (British Thermal Units) in 1982 and now stands at $3.8, ($4.4 cif).

The initial contract stipulated that Distrigaz should buy 5bn cu metres of gas this year. The company is known to be seeking a new agreement on volume and price.

Like other European buyers of Algerian gas, Distrigaz feels that a price indexed to a basket of eight Opec crudes is "*uneconomic*" *when Opec's* posted price is so far out of line with the price at which crude oil is sold.

ENI is due to complete negotiations with Sonatrach by the end of May. Last year, it overtook Gaz de France to become Sonatrach's largest foreign customer for Algerian gas.

It bought just over 12bn cu metres. The Italians pay an fob price which is equivalent to that paid by the French and Belgians. The gas, however, travels through the Trans-Mediterranean pipeline, thus saving Sonatrach the high cost of liquefaction and shipping.

The Italians are also much less keen to take the quantities they had undertaken to buy in future years, not simply on grounds of price but also because estimates of the country's natural gas reserves have been raised from 16 years of consumption to more than 20 years.

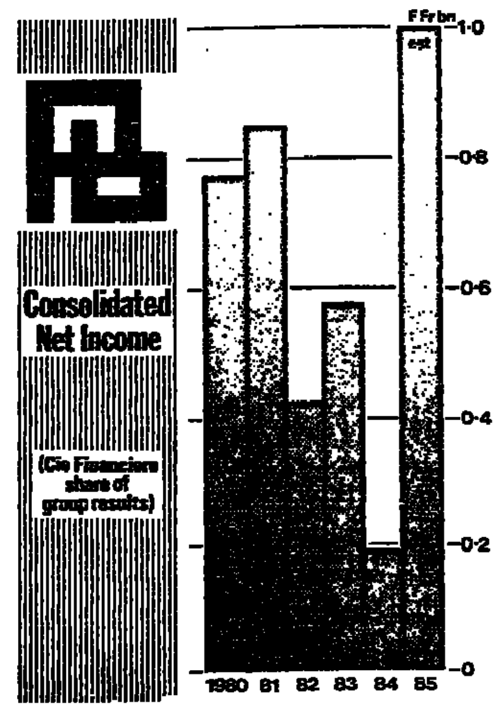
Gaz de France won a concession from Sonatrach 18 months ago which enabled it to reduce the amount of gas it purchased by about 10 per cent to 8.2bn cubic metres last year.

The French would dearly like to pay less but no renegotiations are scheduled until later this year

Paribas

Standing aloof from political influence

David Marsh reports on the prospects for the French bank and Jean-Yves Haberer, its chairman, after Sunday's election



VOTERS choosing a new National Assembly in France's general elections next Sunday will also be helping to determine the future shape of the most powerful force in French banking and finance.

Compagnie Financiere de Paribas, the financial and industrial holding group taken over by the state as part of the Socialist government's nationalisation moves in 1982, is top of the list of the concerns likely to be sold to the private sector if the Right-wing Opposition, as expected, emerges victorious on polling day.

Jean-Yves Haberer, the former director of the French Treasury brought in to chair Paribas at the end of 1981 amid a political storm over nationalisation, has proved generally more adept than expected at steering the group through state ownership.

Paribas, long villified by the Socialists as a "state within a state" during the party's long period in Opposition, became the main target for take-over following the election victory of President Francois Mitterrand in May 1981.

It eventually passed into public ownership in February 1982. Staff and clients were shell-shocked by wrangling with the Government which reached a climax with the forced resignation of Pierre Moussa, the former chairman, in October 1981 after he manoeuvred successfully to free Paribas' pivotal Swiss subsidiary from the nationalisation net.

Four years later, Paribas' performance seems ironically to have vindicated the Left's long-held view of the group as a self-mutating organism serving the interests of capitalism with built-in resistance to outside political pressures.

After the autumn 1981 blood-spilling, the Socialist government shrank back from any question of further dismemberment. And Paribas, run from an elegant tapestry-strewn headquarters in the Rue d'Antin, the centrepiece of which is a covered courtyard featuring an 18th century statue of Louis XIV, now seems likely to be able to look back at its period within the public sector simply as an interlude in its 114-year-old history.

Haberer has presided over a steady rise in the group's basic earnings power. Even though consolidated net profits nose-dived in 1984 as a result of Paribas' costly pull-out of Becker, the troubled New York securities house, 1985 net earnings look likely to have risen sharply above profits in the early 1980s.

The group's balance sheet has also strengthened considerably. Helped above all by the surge in the stock market value of its holdings and subsidiaries in finance and industry during the three year boom on the Paris bourse (a factor which has also significantly boosted the valuation of Paribas' arch-rival, Compagnie Financiere de Suez, which was also taken over by the state in 1982) Paribas' market capitalisation is now over FFr 20bn—four times the price at which it was nationalised.

Impulse

Paribas' style and strategy have certainly been influenced by nationalisation. The Government's budgetary squeeze has forced the group to live without capital injections from its state shareholder. Cut off from its previous holdings in large companies like the Thomson electronics group, which was also taken over by the state in 1982, Paribas has been guided more in the direction of building up corporate links with medium and small sized companies which in the past it often rather disdained.

Moussa, now the chairman of Dillon Read's London investment banking arm, points to Paribas' inability to offer its own stock to finance acquisitions and says: "It is difficult to imagine anything more stupid than a nationalised banque d'affaires." And he adds: "I may be wrong, but at the end of the 1970s I believed the impulse we were giving to Paribas was so strong that it was going up to heaven—ad astra. Owing to nationalisation, Paribas is not

But if Paribas is now less brashly self-confident than under the Moussa regime, the change is less a result of interference by government, far more because of the sharpening of competition on international financial markets.

Haberer, for instance, has greatly increased provisions to cope with increased risks on the international banking side. Spectacular financial coups may have been a rarity during the past few years. But Haberer instead has built up solid muscle power in the bond business—it has become the leading French bank in the Eurobond sector, ranked 10th internationally in terms of lead management last year, and has also profited greatly from deregulation in the domestic French bond market. And he has also continued to enlarge Paribas' expertise in venture capital—an area where it has the most experience of any French bank—and which is starting to pay off as companies in which it invested start to build up turnover and profits.

The biggest blow to Paribas' self-confidence came in 1984 with the hasty withdrawal from Becker on which it took a FFr 680m (£68m) loss. The sale of Becker to Merrill Lynch in August 1984—in return Paribas received a 3 per cent stake in Merrill—came only three months after Paribas took control of the New York trading firm in which it had been associated, initially as a sleeping partner with merchant banker S. G. Warburg, since 1974.

The episode illustrated the limits of a relatively weakly capitalised French bank trying to cope with the management and financial problems of the securities dealing storm which buffeted Wall Street in 1984.

Paribas still knows that, as financial markets become increasingly innovative and competitive, it has to build up its base outside Paris. But in its latest international move — it is taking 100 per cent control in April of the London stockbroker Quilter Goodison — Haberer says the group has digested the lessons of its experience with Becker.

Quilter Goodison, much more in tune with Paribas' own merchant banking culture, should prove easier to control, Haberer believes. And Paribas had made efforts to allow its securities dealing staff to forge contacts with Quilter Goodison at all levels — not committing the error it made with Becker of having no basic contact with the company's employees.

The Becker affair marked Haberer's greatest trial in his efforts to make his mark as a banker under the Socialists. An able and clear-thinking administrator who proved his worth to Right wing governments in a succession of senior civil service posts since the 1960s, Haberer now faces another series of tests as the Right looks set to retake power.

The Right wing has promised widespread changes among chairmen of nationalised banks and industries if it returns to power; though Haberer, with his finely honed sense of political power play, looks one of the least likely to be deposed. And he is hoping that his position has been strengthened by a capital raising exercise just carried out on the Paris bourse which in effect represents a practice run for denationalisation.

The group placed on its own behalf FFr 3.6bn of non-voting preference shares (certificats d'investissements or CIs). This was double the size of the largest previous equity-raising transaction carried out on the Paris bourse.

The issue, which was heavily over-subscribed, has boosted the group's total capital resources to FFr 23bn. Improved capital backing is a precondition for Banque Paribas to keep its Triple A rating on Wall Street if the state sells its shareholding later this year. And the introduction of non-voting private shareholders to make up 25 per cent (the maximum allowed under present legislation) of the Compagnie Financiere's FFr 2.3bn nominal equity capital maps out a clear route to outright denationalisation under an eventual financial package involving the exchange of CIs for voting shares.

Haberer, aged 53, is an enigma. Described by those who dislike him as aloof, austere and arrogant, he is a shy man who dislikes ceremony and public gatherings, yet has a talent for motivating young high-flyers on his staff. A friend of Moussa whom he had first met in 1951, Haberer was the appointee of Jacques de Fouchier, the Paribas chairman between 1969 and 1978 who was called out of retirement to handle the crisis in autumn 1981.

Despite his connections and his bringing in of only a few outside appointees for top posts, Haberer failed to strike up a rapport with some of the older executives.

Several have now left or gone into retirement. The most notable departure has been that of Gerard Eskenazi, the former No 2 under Moussa. Eskenazi became chairman of the Pargesa international holding company, owned by a number of former investors in Paribas and the vehicle used to take control of Paribas Suisse in autumn 1981.

Vulnerable

If the Right decide to oust Haberer, Eskenazi, who was being groomed by Moussa to take over as his sucessor, is the most likely candidate to take over.

Summing up his chairman's delicate position, a colleague of Haberer says: "In the past Paribas has grown through internal sedimentation. The choice of Heberer has introduced a foreign body into this culture." He affirms that Haberer is "vulnerable" because of enemies he has made during his time at the Treasury and in his new career. But he adds: "We need continuity — there is no need to change a winning team. Pierre Moussa would probably say that too." Haberer himself — banking on being allowed to stay on — makes no secret of the fact that he has a strategy for denationalisation.

Though deprived of capital funding from its state shareholder, Paribas has proved adept at using the buoyancy of the French financial markets to its advantage.

A range of Paribas subsidiaries quoted on the stock market—including the specialised credit group Compagnie Bancaire (owned 45 per cent by Paribas), and its portfolio investment arm OPFI-Paribas (stake 73 per cent)—have been active recently in raising funds on the bourse. Total equity-type fund raising on the bourse by Paribas and its subsidiaries since nationalisation has amounted to about FFr 10bn.

Haberer's aloofness may have been an important reason why the Government has had little success in attempts to meddle in Paribas' affairs. He has seen Pierre Beregovoy, the present Finance Minister, only twice since the latter took office 20 months ago and on neither occasion were matters connected with Paribas.

Since nationalisation, Paribas has injected between FFr 2bn and FFr 3bn into industrial companies in difficulties in which it owns stakes—most of which are now on the way to recovery. Paribas retains a 12 per cent stake in the holding company of the Empain-Schneider group which owned Creusot-Loire, the heavy engineering group which went bankrupt in 1984. Even Right-wing executives in rival banks grudgingly admire Haberer for resisting pressure from the Government to bail out the company. Haberer told the Government that it was not Paribas' responsibility and that anyway it didn't have any money.

The results setback in 1984 — when the Compagnie Financiere share of consolidated net profits plunged to FFr 193m from FFr 571m in 1983 — appears to have been fully overcome last year, when provisional estimates of group net earnings totalled more than FFr 1bn.

With these results behind him, Haberer says he has "no sleepless nights" over his future. If it is needed, the casting vote in the matter could come from Jacques de Fouchier, now 74 years old who, as honorary chairman of Paribas and Compagnie Bancaire, keeps a fatherly eye on both groups.

De Fouchier, who recommended Haberer as Paribas chairman to President Mitterrand in 1981 says: "People with ambition" are campaigning against Haberer. But he says: "I believe that anyone other than Haberer would be less good. He is a man of remarkable qualities and has had four years in the job. Paribas cannot afford the luxury of having an apprentice as chairman in charge of preparing denationalisation."

Management abstracts

Intercultural Training for Managers. Y. Bogorya in The Journal of Management Development (UK), Vol 4 No 2 (9 pages)

Describes the basic model of human communication, ie messages passing from source (intuition) to destination (understanding) through processes of encoding, transmission, and decoding. Shows how this model has to be extended to allow for language, emotional and attitudinal factors when communication takes place across cultural boundaries as is typical in international companies; argues that this is a valid and necessary subject for training.

Employee theft. J. W. Kennish in The Internal Auditor (US), Aug 85 (4 pages)

Discusses the nature of employee theft, and identifies four factors which create the environment in which theft can flourish: motivation to steal, opportunity, employee and management attitudes; outlines how preventive action, such as written procedures, training, and screening transmit the message that theft will not be tolerated.

A consultant's observations on life as a senior executive. R. O. Metzger in Journal of Management Consulting (Netherlands), Vol 2 No 2 (3 pages)

A management consultant who for a month worked as a bank vice president (the bank is unnamed) gives his views on the working side of life; offers such sharp (often rueful) observations as "you have no time" and "senior executives have a lot of trouble knowing what is really going on in the organisation."

How to arrange a meeting. R. Leicher in Management Zeitschrift (Switzerland), April 1985 (1 page, in German, English version available)

Maintains that skill is needed to get people with whom you want to talk to agree to meet you on an acceptable day at a convenient time: there are dos and don'ts to observe: eg a request to meet at 10.20 has a better chance of acceptance than 10 o'clock; not only a starting time should be stated but also a finishing time (expressly or implied).

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

PUBLIC SCHEMES WILL BENEFIT MOST FROM WASHINGTON'S FIVE-YEAR PACKAGE

US $250m aid likely to favour Ulster

BY HUGH CARNEGY IN DUBLIN

THE PROPOSAL for $250m US aid over five years to back the Anglo-Irish agreement, under discussion last night by the House of Representatives in Washington, is likely to be spent on three main types of economic and social projects with roughly a three-to-one spending bias in favour of Northern Ireland.

The agreement, signed last November, gives Dublin a role in the affairs of the UK province.

The larger part of the aid, designed to underpin the political aspects of the agreement, will go to schemes put forward by public authorities and are expected to include housing in disadvantaged areas, roads, tourist development and projects such as afforestation.

Officials are reluctant to name specific projects but one example might be a long-delayed improvement of the congested main border crossing road between Newry and Dundalk.

There will be contributions to community and voluntary bodies, carefully vetted to ensure they have no paramilitary links. Officials also intend that some money will be earmarked for a venture capital fund to provide equity capital for businesses setting up in, for example, border areas with high unemployment.

South of the border, the main concern is to regenerate areas such as the border town of Clones which have suffered because of the troubles.

In the north, much of the emphasis is expected to be on the social infrastructure in an effort to tackle the perceived link between social deprivation and violence.

Both sides originally hoped for at least $350m from the US. The are now waiting to see what form the package finally takes after it has been through the Senate, before constituting the international fund through which the money will be channelled.

There is some expectation that the total will be a compromise between the $250m of grant aid over five years expected to be approved by the House and the original Administration proposal for $100m in aid and $150m in credits.

The international fund will be administered by a board of management made up of British and Irish officials, with the possibility of American involvement. The fund will have a small executive staff to evaluate projects.

Unionists opposed to the deal have criticised the aid as blackmail to try to get them to accept the Anglo-Irish accord, but their objections are not regarded as an obstacle to operating the fund. "The absorption capacity of the Northern Ireland economy is enormous. If the unionists don't want the money, there are lots of nationalists that do," said one Dublin official.

Dublin and London are also making a joint approach to the European Community for a contribution to the fund to match or exceed the US aid. However, Mr Tom King, the British Secretary of State for Northern Ireland, said this week there were difficulties in London on how the joint submission should be based and this may delay the process.

Canada and Australia are two other countries which the two sides have approached on possible contributions.

Loyalists protest as Anglo-Irish conference meets

BY OUR BELFAST CORRESPONDENT

PROTESTS by Unionists marked the meeting yesterday of British and Irish ministers in Belfast under the auspices of the Anglo-Irish agreement.

The inter-governmental conference, chaired jointly by Mr Tom King, the Northern Ireland Secretary, and Mr Peter Barry, the Irish Foreign Minister, concentrated on security co-operation and the need to improve relations between the Royal Ulster Constabulary (RUC) and the nationalist community in Northern Ireland.

There was strict security for the meeting at Stormont Castle. Police ringed the area and there were scuffles when a crowd led by Unionist politicians attempted to cut security fencing. Three Democratic Unionist members of the Northern Ireland Assembly were arrested but later released.

At lunchtime, workers from the Belfast shipyard and Short Brothers aircraft factory blocked the main roads into Belfast for 30 minutes.

The meeting was the fourth since the conference was set up last November. The two sides issued a communiqué which said that Sir John Hermon, the RUC Chief Constable, and Mr Lawrence Wren, Commissioner of the Irish Police, had attended to give progress reports on security co-operation.

Sir John told ministers how the RUC was seeking to develop relations with the minority, including arrangements for handling complaints and boosting the number of Roman Catholic recruits to the force.

The British side welcomed the Irish decision to sign the European convention on the suppression of terrorism in Strasbourg last month.

Security and community relations will be among the issues raised at the next meeting

British Steel set to raise prices

By Ian Rodger

BRITISH Steel (BSC) will try to raise the prices of its strip mill products and plates by 3 to 5 per cent on April 1.

The move partly reflects strong market conditions in the UK in the past two months, with the motor and engineering industries operating well. But the main factor is probably the easing of pressure on BSC from European competitors following the sharp fall of sterling against the D-Mark in recent months.

Some analysts are surprised that BSC is not seeking bigger price increases to take advantage of the situation. The corporation's caution probably reflects its scepticism about sterling remaining weak against the D-Mark for long.

The increases are the first attempted by BSC this year in the important flat product sectors. West German producers attempted to impose a DM 30 per tonne price increase on flat rolled products in January, which would have represented a 3 per cent rise, but the move failed because of weakness in the market then and pressure from imports. The West Germans will try again for lesser increases of DM 15 to DM 20 a tonne next month.

Urenco gives pledge to stand by uranium enrichment process

BY DAVID FISHLOCK, SCIENCE EDITOR

URENCO, the Anglo-German-Dutch uranium enrichment company, has strongly denied rumours that it may soon abandon its unique gas centrifuge process, development jointly by the three countries over the past 15 years.

In a statement yesterday the company said the rival laser enrichment process would find it difficult "to achieve economic superiority over the centrifuge before the end of the century."

"All foreseeable new investment by Urenco in enrichment facilities will use the gas centrifuge," it said.

Urenco specialises in the enrichment stage of the manufacture of civil nuclear fuel, up to levels of about 5 per cent enrichment. It has no military business.

The company has a gas centrifuge investment programme approaching £500m, and a forward order book for enrichment contracts for electricity companies which exceeds £2.5bn.

Rumours of a threat to its technology base began to circulate after the appearance of two executives from British Nuclear Fuels (BNFL) – its British shareholder – before a House of Lords select committee in January.

Mr Con Allday, BNFL chairman and chief executive, said then that there was a risk the US could leapfrog Urenco with its new laser enrichment process, for which it had already abandoned its own version of the gas centrifuge. He forecast that within two or three years Urenco would have to take a crucial decision between an advanced centrifuge and the laser.

Preliminary discussions with the French – who are also developing the laser process – had indicated "a willingness to talk," Mr Allday said. Urenco executives believe that the crucial decision between their new and faster TCX centrifuge, still under development, is further away. A decision is expected in the early 1990s.

All three countries are increasing their investment in laser enrichment research, to a total of about £15m for the coming year.

The French are already spending at double this rate. The Commissariat à l'Energie Atomique has budgeted about £30m, this year. It aims to reach pilot-plant stage by 1992.

Urenco plans to keep the three laser research programmes separate for the present, and to pursue different technologies, but the partners will keep each other informed of progress.

Cost of Trident missile project up by £584m

BY IVOR OWEN

THE OFFICIAL estimated cost of the Trident missile programme has increased by £584m to £9.869bn, Mr George Younger, the Defence Secretary, told the House of Commons yesterday. The announcement, during questions on defence matters, brought claims from both sides of the Commons that the escalating cost of the programme is likely to put put severe strain on the conventional defence budget.

Defence Ministry officials claimed, however, that the £584m increase would be more than offset by the fall in the dollar against sterling since last June, the date on which exchange rates used to calculate the cost of the programme are based.

The ministry estimates that each fall of one cent in the dollar's value reduces the total cost of Trident by £35m. At yesterday's exchange rate of $1.45 the cost would be some £595m less than the official estimate.

Mr Younger said the cost of Trident had been reassessed as part of the annual review of costings being carried out by defence ministers. The review was based on last June's exchange rate of $1.28 in order to ensure comparibility with previous official estimates.

Mr Younger said £324m of the increase reflected exchange rate movements since the previous cost estimate was made early last year. The other £260m was caused by inflation, offset by savings caused by "better project definition."

"Costs are clearly under control and the programme remains on time for an in-service date in the mid 1990s," he said.

Mr Tim Yeo (Conservative) gave a warning that even in the light of the latest savings caused by exchange rate movements "there are many people in this country who remain concerned about the way in which expenditure on Trident may curtail expenditure on other important defence programmes."

Mr Younger said the latest figures confirmed that Trident would require, on average, 3 per cent of the defence budget, and 6 per cent of the equipment budget.

He said that this was "well within our means" for a system which would offer defence and safety for the future.

Dr David Owen, leader of the Social Democratic Party (SDP) said the increasing cost of Trident would have to be maintained within a defence budget which was to be cut by 7 per cent in real terms in the next three years.

He asked: "Can you really go on claiming that you can support the conventional defence spending which is currently planned?"

Mr Denzil Davies, Labour's defence spokesman, said the Government would have no option but to take the increased cost of Trident from the conventional defence budget. He said costs incurred in the US were beyond the control of the Government. The eventual cost of the Trident system was dependent on exchange rate movements and the prices charged by US arms manufacturers.

Vickers prospectus, Page 11

UK NEWS

Vickers consortium woos its workers

BY LISA WOOD

MR HAROLD BROWN, leader of Labour-controlled Barrow-in-Furness district council in north-west England, was undecided yesterday whether or not buy any shares in Vickers Shipbuilding and Engineering (VSEL), where he works in the paint shop.

"The workforce is still very much in the dark about the share offer from the management consortium and it is waiting to examine the prospectus," said Mr Brown, aged 52. While ideologically opposed to the Trident nuclear missile submarine, which is expected to be built at Vickers, he is wedded to the prosperity of his town.

"What is good for Vickers is good for Barrow," said Mr Brown, who like many of his workmates has been at Vickers all his working life.

How the management buy-out consortium sees the future of Vickers, and ultimately the prosperity of Barrow and Birkenhead on Merseyside, where Cammell Laird, part of VSEL is based, was outlined in its prospectus which was launched yesterday.

This was five days after the Government announced its decision to award the sale to the consortium in preference to Trafalgar House, the industrial conglomerate.

The consortium is paying £60m to British Shipbuilders, the state-owned parent, at the end of this month with up to a further £40m promised in the 1990s and £92m committed on funding facilities for Trident.

Included in the 100-page document was a trading forecast before interest of £15m for the year ending this month compared with £12.5m last year. An important feature of the prospectus, and indeed of the company's future, according to Dr Graham Leach, the chief executive, is the offer of shares to the 14,500 workforce, their relatives and the local population.

For a loan needing repayment of as little as £1.94 a week, the prospectus states an employee can have a £100 loan to buy 100 shares. A preferential loan scheme mentions that banks will offer "favourable interest rates" to employees. There is a further inducement. All employees buying 500 shares are given another 150 free. Those buying fewer receive 50 free.

At first, the minimum on offer to employees was to have been 500 shares. "The offer was adjusted to take into account a fair number of employees on family income supplement (social benefit) for whom an investment of £500 was out of reach," said Mr Stephen Barrett, assistant director of Lloyds Merchant Bank which, with several other institutions, has underwritten the deal.

"A lot of people could have difficulties taking up the share offer because of the wages," said Mr Russell Yates, aged 36, a labourer who takes home £85 for a 39-hour week. He has decided to take 500 shares. His reasons are straightforward. "The yard has never made a loss and I don't reckon the bankers would pour £60m down the drain."

The imminent pay talks are an issue at the yard with the straight-talking but avuncular Dr Leach admitting that pay is not what it should be.

Vickers has been part of British Shipbuilders since 1977 and all pay negotiations within the loss-making entity have been at national level.

"Why should we buy shares from people we have had to fight for years to get 'owt' from," said one boilermaker, standing in the shadow of the hull of a Trafalgar Class nuclear submarine. It is housed in one of the hangars which dominate the works, which sprawl over Barrow Island where Vickers owns 183 acres.

He admitted that many of his fellow workers were playing it close to their chests as to whether they would make a purchase. The chairman and the secretary of the joint shop stewards committee (local union representatives) have said they are personally in favour of taking shares, but insist they cannot give investment advice to others.

The aim is for the workforce and the local population to own in excess of 20 per cent of the equity with the company to go public in the summer. Whether or not they could make money on the stock exchange was not the pre-occupation yesterday, with workers wanting to know more about whether their savings would be better invested in a building society.

The consortium is at pains to tell its workforce that their status or prospects will not be affected if they fail to buy shares. Lloyd's own registrars are now installed on the site in caravans to offer information and assist in completing forms.

Few appeared to have given the prospect of a successful bid from Trafalgar House much thought. "They have got so many fingers in so many pies, they would probably not have given us as much attention as the consortium," said one cheerful secretary, who intends to buy – "as many shares as I can afford."

Trafalgar House, which owns the Scott-Lithgow yard on Clydebank in Scotland, believes it has every case for a judicial review of the sale since the Government has accepted what Trafalgar understands to be a lower offer. But yesterday it issued a short statement: "The board has decided not to take any further action."

Lex, Page 18

BBC faces litigation over satellite broadcasting venture

BY RAYMOND SNODDY

THE BBC is being sued for over £57m by two of the companies which were to have provided a satellite system for the corporation's aborted Direct Broadcasting by Satellite (DBS) venture.

The litigation has been undertaken by British Aerospace and GEC, although United Satellites (Unisat) is also named as a claimant.

Unisat is the consortium set up with Government encouragement to build DBS satellites for the BBC.

It groups British Aerospace, British Telecom (BT) and GEC. But BT is playing no part in the lawsuit.

A writ and statement of claim for £57,163,000 was served on the BBC at the end of last month.

If the BBC loses the case, the money would almost certainly have to come out of licence fee revenue which, apart from the profits of BBC Enterprises, is the corporation's only source of income.

The claim is designed to cover the costs of design, manufacture and financing of work carried out by Unisat on a satellite system from August 1982.

The legal document also alleges negligence and misrepresentation. This apparently refers to the date when Unisat was informed of the BBC's decision to pull out of the project.

The BBC said yesterday: "We have received a statement of claim. It is our intention to strongly defend the case." It is believed the BBC will argue it was made clear to Unisat that any work carried out before signing a final contract would be at its risk.

The claim arises out of a project first announced in the House of Commons in March 1982. On March 7 1983 the BBC announced it had signed heads of agreement with Unisat for the provision of a two-channel DBS service to be launched by the BBC in September 1986.

Under the heads of agreement the BBC would pay Unisat £12m a channel a year over seven years – a total of £168m. The BBC never signed a final agreement and will argue that the outline agreement signed was not a legally binding contract.

The BBC effectively decided in December 1983 not to go ahead alone with a DBS project because of the high financial risk, and talks then began on a joint venture involving independent television companies and other industrial and commercial organisations.

The Government insisted throughout negotiations that Unisat should be the satellite supplier.

Last June the joint venture group decided not to go ahead with DBS. Unisat is no longer a trading company. It will retain a legal existence until the litigation is complete – a process that could take two years.

PETROL TAX TEMPTATION FOR LAWSON

Price dilemma facing oil groups

BY MAX WILKINSON, RESOURCES EDITOR

ONE OF the safest bets for next Tuesday's budget is that the chancellor of the Exchequer wil push up the duty on petrol by more than is needed to keep level with the inflation rate.

This would have the double virtue of helping to compensate the Exchequer for the sharp reduction in its North Sea revenues and of being camouflaged by the recent falls in pump prices. To keep pace with inflation he would need to add 5p to a gallon of four star petrol. If he increased the duty by 15 pence he would raise an extra £550m at the cost of pushing the price of a gallon of four star back up to 193p, about the same level as in October.

Probably the most persuasive argument in the Treasury is that oil companies are now making fat profits after several very lean years in their downsteam operations. This is because pump prices have not fallen anything like as fast as the refiners' cost for crude oil.

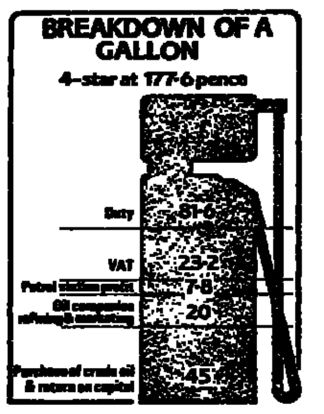
So one big question for Whitehall is whether the major oil companies would be able to absorb the Chancellor's increased tax take, or at least to offset it by a further easing of pump prices.

Oil men tend to react abrasively to such questions. "Any increase in duty will have to be passed on to the motorist," said a BP spokesman. However, he added rather less tartly: "What happens to the pump price at any time is the result of competitive forces in the market."

This comment reflects a rather reluctant acceptance in the industry that prices charged to motorists have some way to fall provided that the cost of crude oil in sterling terms does not suddenly rebound.

BREAKDOWN OF A GALLON

4-star at 177·6 pence



Mr Alan Morgan, managing director of Bulldog, one of the larger independent brands, said in the March issue of Petroleum Review: "The prospect for 1986 would appear to be for a continued downward slide in prices and profitability."

However, he also emphasised the major trend in the petrol market towards non price competition when he said that the smaller petrol stations would need to fight for their corner of the market by improving their service and facilities.

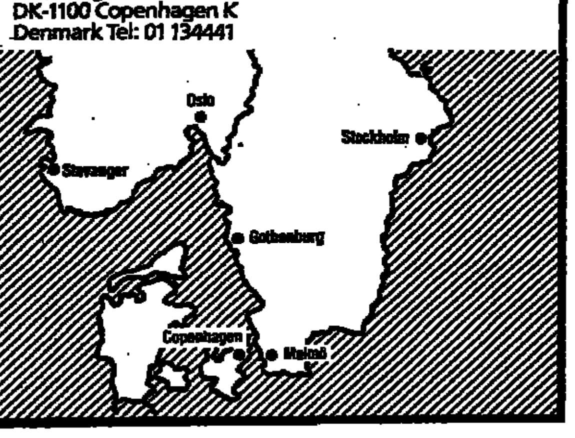
The widespread switch of emphasis to service, shops, give-aways and promotions may help to explain the sluggish movement in prices recently. Since the turn of the year, the spot price of North Sea crude oil has fallen by 50 per cent, the Rotterdam spot price for premium gasoline has fallen by almost 40 per cent, but average pump prices for four star petrol have eased by only about 7 per cent.

These figures strongly suggest that in spite of some tough-guy talk of competition by petrol companies, the price wars of recent years have been replaced by a general armistice if not an outright price treaty. Even the smaller petrol companies seem now to have been absorbed into a consensus that it is better to hang on to a bigger margin and compete for market share by other means.

Out of an average price of 178p per gallon, duty accounts for 81.6p and VAT 23.2p, giving a total tax take of 104.8p. The average margin of petrol station operators is reckoned by one major oil company to be 7.8p. This leaves 65.4p for the supplier of bulk petrol. About 20p of this represents the cost of marketing and refining and the balance of 45p is left to buy crude oil and provide a return on investment.

Oil companies say that since the beginning of the year the fall in crude oil prices has reduced their costs by only 9p in a gallon, though lower crude oil prices are no doubt still working their way through inventories.

Nevertheless, the benefit to refining margins has been enough to push BP's return on investment in its petrol business back up from a substantial loss to around 14 per cent, as Sir Peter Walters, the chairman revealed when the 1985 annual results were released last month. Sir Peter said that 14 per cent was a reasonable return and he had no wish to reduce it by lowering petrol prices, a sentiment which chairmen of other major oil companies would doubtless endorse.



US companies to tender for Nimrod option

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THREE US companies are to be given 45 days from Monday to produce initial proposals for supplying an alternative to Britain's controversial Nimrod early warning aircraft.

Tender documents, which detail Britain's need for aircraft to give early radar warning of low-level air attacks, are to be issued on Monday to Boeing, Grumman and Lockheed. The companies respectively produce the E4A advanced warning and control systems (Awacs) aircraft; the E2 Hawkeye, deployed by the US navy; and the newly developed Orion P-3C.

The new moves have been put in hand by Mr Peter Levene, Chief of Defence Procurement, after a visit to Washington last week. Mr Levene is understood to have told the US companies of his anxiety to receive an indication as soon as possible of how their three aircraft might meet Britain's needs, how much they might cost, and how long they would take to deliver.

Last month, the Ministry of Defence made clear that it could still cancel Nimrod which, because of the failure of its GEC radar to perform to the RAF's satisfaction, is more than three years late entering service and has already cost nearly £1bn.

GEC Avionics, makers of the radar system, was told it had up to six months to prove that it should be given a fixed price and fixed term contract to complete the Nimrod avionics system.

According to officials, GEC will be issued with precisely the same specifications as the US companies so that proper comparisons can be made.

The Ministry of Defence expects to have evaluated the US responses and to have answers from GEC by the end of July so that ministers can decide by early September whether to continue with Nimrod or to buy an American alternative.

It is understood that Mr Levene has asked the US companies to provide for maximum "offset" arrangements in their bids. He is known to be impressed by arrangements under which McDonnell Douglas has a £200m contract to supply Harpoon anti-ship missiles to Britain, which it is offsetting both by subcontracting work in the UK on the missiles themselves as well as on other aviation contracts. The total work available to Britain is said to be more than £200m.

Mr Levene is also believed to be exploring the possibility of arranging sale of the US aircraft directly with their manufacturers.

Overhaul at Post Office

BY DAVID THOMAS

THE POST OFFICE is planning to change its organisation as part of a complete overhaul of its services.

Last month it announced steps to restructure its core operations into three businesses – letters, parcels and counter services.

Information given by the Post Office corporation to its unions shows that it has advanced plans for overhauling its entire organisation. It is likely to face union opposition, however. Mr Alan Tuffin, general secretary of the Union of Communication Workers, the largest postal union, has argued that the changes will lead to more, not less bureaucracy.

The corporation has told unions: "Progressively the businesses will take on responsibility for pay and productivity, grading, conditions of service, working practices, industrial relations, internal communications, resourcing, contracts of employment and other employee relations matters."

Syndicates at Lloyd's 'may be over limit'

By John Moore

TEN INSURANCE syndicates in the Lloyd's of London market may be in breach of the market's financial limits, which are designed to ensure that insurance transactions are carried out in a prudent way within the community.

Mr Alan Lord, Lloyd's newly-appointed chief executive, said yesterday that the market's authorities were holding discussions with around 10 insurance syndicates in connection with the volume of business they were underwriting.

In the last few weeks the Lloyd's authorities have directed that one insurance syndicate, formed of more than 1,500 underwriting members, should stop trading because it had breached its financial limits. Financial limits at Lloyd's are related to the amount of capital subscribed by individual underwriting members of each syndicate.

The affected syndicate, number 800, had been hit by rising premium rates on insurance business in the aviation market.

Lloyd's revealed that it had tightened its rules relating to underwriters trading with related interests. In the wake of a series of scandals, in which underwriting members' funds had been diverted by professionals working in the market to companies which the professionals owned offshore, Lloyd's decided to ban this type of transaction.

Since the announcement of the original intention to ban related party transactions, Lloyd's has tightened the rules further. There was criticism in the market that the transactions could still be allowed providing that they had the full approval of the 18 working members of Lloyd's who form an executive committee.

Because some members of the market said that working members on the committee might allow related party transactions to go through as a formality, all related party transactions which require approval will be referred to the full 28-strong ruling council of the market.

Michael Donne on a new terminal at London's biggest airport

Heathrow prepares for take-off

WITH only a few weeks to go before the £200m Terminal Four at London's Heathrow airport becomes operational on April 12 (although it will be formally opened by the Prince of Wales on April 1), British Airways (BA) is stepping up preparations to become the biggest user of the new building.

BA has already spent some £14m on putting equipment and facilities inside the new terminal, and an intensive staff familiarisation scheme was launched last year to ensure all 2,200 BA staff understand their roles there.

Mr Colin Marshall, BA's chief executive, has described the move as the biggest improvement in customer service in the history of the airline, and the biggest operational switch since Terminal One opened two decades ago.

Mr Bob Austin, BA's manager for the new terminal says: "It has got to be ready in time. There are 80 flights, 17,000 passengers and 2,200 staff on Day One (April 12) alone depending on it."

The new terminal is designed to cater for 8m passengers a year, raising Heathrow's capacity to 38m a year from the present 30m.

BA will vacate Terminal Three in the central area, moving to the new terminal all its long-haul intercontinental services, including Concorde, and its short-haul Paris and Amsterdam flights. KLM of the Netherlands and its associated NLM City Hopper airline, together with Air Malta, will also move there.

South African Airways, at present in Terminal Three, will move into the space vacated by BA in Terminal One, while Sabena Belgian Airlines will move from Terminal Two to Terminal One.

But there will not be much extra room in Terminal Three once BA has left. The British Airports Authority will close down part of the terminal for a £68m refurbishing programme.

Inside the new terminal, on the south-east side of the airport, the main contractors, Taylor Woodrow, are putting the finishing touches to the building. But it is the airlines, dominated by BA, who have been preparing most vigorously for the start of operations.

Signs are going up every day over the 64 BA check-in desks in the departures concourse. TV screens giving arrival and departure information are operating with details of Terminal Three flights since there are no Terminal Four flights yet. Outside the terminal, the underground station serving the link line between Hatton Cross and the central area is almost complete.

BA's main switch-over will be on the night of April 11-12. Once the last BA aircraft has cleared Terminal Three, a convoy of vehicles will move across the airport, carrying staff and items required for handling passengers, for installation in the facilities in Terminal Four.

Services will not be interrupted. The first long-haul aircraft is due to arrive at Terminal Four in the early hours of April 12, and staff – including ramp handlers, baggage handlers, customs and immigration personnel – will be ready to receive it, and handle the first outgoing short-haul services to Paris and Amsterdam.

BA has also been laying on tours of Terminal Four for ramp handlers – those who look after the aircraft on the apron –, cabin services, loading and catering personnel and airport dispatchers.

Staff are given a map, taken on a walk between areas they are likely to use and allowed to drive around airside to familiarise themselves with road patterns and parking facilities.

Baggage handlers, who have many new procedures to learn on modernised baggage handling equipment, began their familiarisation long ago.

They are now going through one-day courses, led by specially trained baggage-handling team leaders.

Probably the most important familiarisation will be in the final week before operations start, when the passenger handling staff undertake "dummy runs" with volunteer "passengers," drawn from BA staff.

With the help of the Airports Authority staff, the airline will organise the equivalent of two Boeing 747 Jumbo jet loads of such "passengers" (although there will be no aircraft), who will be issued with "tickets," and who will pass through arrival and departure procedures so as to give passenger handling staff as realistic a test as possible of how the new terminal will work.

Mr Austin is confident the opening of Terminal Four will run smoothly. "We are on the home run now, and we'll not let the finishing line out of our sights until we have completed fitting out a building that will be nothing short of excellent for our passengers and staff."

The Department of Transport has appointed a team of three firms of consultants to study ways of improving road and rail surface links between central London and Heathrow airport for the long-term future.

The firms will study potential demand for traffic movement between central London and the airport over the next 20 years, bearing in mind likely growth of air travel and the possible need for a fifth passenger terminal at Heathrow.

They will suggest how demand could be met, and give the relative costs and benefits of any options they propose. The study is expected to last 10 months.

BAe signs technical pact with Mexico

By Our Aerospace Correspondent

BRITISH AEROSPACE (BAe) has signed a technical co-operation agreement with the Government of Mexico that could lead to the eventual collaborative production of civil aircraft between the two countries.

The pact was signed recently by the UK company with the Mexican Ministries of Commerce and Industrial Development, and Communications and Transport, after talks last year.

Under the agreement, BAe will study in conjunction with the Mexican authorities, a range of civil aviation and aerospace industry activities, with a view to finding areas of common interest on which future collaborative ventures could be based.

Mexico has an extensive air transport network and its two national airlines will carry more than 16m passengers this year. In addition, the country has a large general aviation sector.

British Aerospace already has collaborative agreements with 23 countries, and its expertise includes the transfer of technology in manufacturing as well as support and training activities.

With its wide range of short-haul aircraft, BAe is well suited to advise Mexico on internal as well as international air transport.

● Mr Ralph Robins, managing director of Rolls-Royce, has been appointed chairman of International Aero-Engines (IAE), the five-nation consortium building the V-2500 aero-engine for the A-320 European Airbus. He succeeds Mr Arthur Wegner, president of Pratt & Whitney, the aero-engine division of United Technologies, which is also a major shareholder in IAE.

Highland fails to raise £2.3m launch capital

BY ALICE RAWSTHORN

THE FUTURE of Highland Express Airways, which planned to offer cheap flights from Scotland to North America, has been thrown into doubt after its failure to raise £2.3m in launch capital through the Business Expansion Scheme.

Highland Express launched a scheme in February to raise capital for a cut price, no frills service from Prestwick in Scotland to Toronto and New York.

The airline was to be modelled on Virgin Atlantic which its founder, Mr Randolph Fields, the US lawyer, helped to launch with Mr Richard Branson, Virgin's chairman, two years ago.

The Business Expansion Scheme, which gives generous tax relief to investors in certain unlisted companies, succeeded in raising £1.8m by its deadline, thus falling £500,000 short of the target sum needed to launch the airline.

When issues such as this fail, the general procedure is to extend the deadline. But Highland Express's first flight was scheduled for June, and the process of marketing an airline and securing licences is so time consuming that extending the deadline was impracticable.

According to Ms Elizabeth Morton, director of corporate services at Parsons, the Glasgow stockbrokers which sponsored the issue, Mr Fields is now trying to raise capital from private investors.

The £1.8m which has already been committed to the issue will now be returned to investors, enabling them to invest in another Business Expansion Scheme before the end of the present fiscal year.

Over recent weeks an unprecedented number of Business Expansion Schemes have rushed on to the market. Estimates suggest that the available issues are asking investors for just under £105m, which almost equals the £126m raised in the whole of the last taxation year. Highland Express is the latest in a long line of unsuccessful issues to fail in a saturated marketplace.

Rutherford plan to build £10m Star Wars laser

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN is negotiating to build a £10m ultra-high-powered laser facility for the US Star Wars (SDI) research programme, to study the effects of laser beam weapons on space targets.

The proposal, from one of the world's foremost laser research teams at the Rutherford Appleton Laboratory at Chilton near Oxford, has been put to the Strategic Defence Initiative Organisation in Washington.

Dr Gerald Yonas, chief scientist and acting deputy director of the SDI, who visited the British team last month, is strongly backing the UK proposal for a facility with more than 10 times the "lethality" of any laser beam available today.

This facility would be tailored specifically to the needs of the SDI programme and funded from its directed energy weapons programme.

The Rutherford team is already participating in studies of the effects of laser radiation on materials and electronics, funded by the Los Alamos National Laboratory in New Mexico and the Atomic Weapons Research Establishment, Aldermaston, west of London.

These studies use Sprite, believed to be the world's most powerful version of a new type of laser called the excimer laser.

The excimer laser converts a powerful electron beam into intensive ultraviolet radiation at a much higher efficiency than other kinds of laser.

It is seen as a potential ground-based weapon system for attacking nuclear missiles and warheads at ranges as great as thousands of miles.

Sprite has been developed by the Rutherford's central laser facility directed by Dr Mike Key, which operates primarily as a laser laboratory serving the experimental needs of about 150 British university scientists.

The heart of Sprite is a steel vessel in which a rare kind of chemical reaction is triggered by an intense bolt of high-voltage electrons, releasing a burst of laser radiation.

Dr Key's team has proposed a further development called Supersprite, consisting essentially of 10 modules the size of Sprite.

Supersprite would be more than 10 times as powerful, however, because of the high repetition rate of its pulses of radiation. It could be built in Britain – at the Rutherford or Aldermaston laboratories – or at a US SDI research centre such as Los Alamos.

As the main engineering centre of the Science and Engineering Research Council, the Rutherford is accustomed to tackling the design and construction of large research instruments.

Supersprite has the approval of the Rutherford management, which has been encouraged by the council itself to devote up to 10 per cent of its activity to contract work, paid for at a full commercial rate.

Last month, the Culham Laboratory of the UK Atomic Energy Authority disclosed that it had negotiated a contract to work with Los Alamos on the design of another experimental beam weapon system, called Draconis.

THE ARTS

Television/Christopher Dunkley

To suppress public discussion is crazy...

Normally this column concerns itself with programmes which are readily available to *everybody*. *Today it is devoted* to two programmes, one BBC and one ITV, which have been pulled out of the schedules before transmission.

Both are exceptionally serious, both are designed to *spread knowledge in the hope* of avoiding suffering, both are on subjects which have been pusillanimously avoided by the mass media as a whole, both were produced by experienced and highly respected programme makers. Yet the first has now been banned entirely and the second, which was made specifically for a daytime audience, is to be buried away in a late night slot.

It is sadly ironic that at the very time when Mary Whitehouse's Bill, tightening up state control over the broadcasters and extending provisions to stop us making our own viewing choices, is being pushed through Parliament by Winston Churchill, MP, these two programmes have come to grief under the existing regulations because of their sexual content. It is hard to avoid the feeling that the BBC and the IBA are *gagging and muffling some of* their best producers out of sheer funk.

The record of the broadcasting authorities in fighting for freedom of expression for their programme makers has always been poor, but their behaviour over these two programmes is pathetic: the merest hint of Whitehouse grapeshot and not a single head is to be seen above the parapet in Portland Place or Brompton Road.

The programmes in question are an episode of BBC-2's *Horizon* which endeavours to throw light upon the spread of AIDS by investigating sexual habits and attitudes among *homosexual men*; and an episode in the Thames series *Someone To Talk To* which presents a case study of incest and publicises the work of the Incest Crisis Line. Having managed (with not a little difficulty in the case of *Horizon*) to see both programmes I can report that neither could possibly be described, even by the most prudish, as sensational or exploitative.

Indeed, both programmes in my view would benefit from being more explicit. AIDS being a phenomenon which is spreading fear and alarm almost entirely because of ignorance, and incest being an evil which—if we are to believe the statistics in the Thames programme and I am assured they may be underestimated by as much as 50 per cent—affects one child in 10.

One is driven to wondering just what sort of a daft broadcasting system we have constructed for ourselves which *encourages* us all to watch pain being inflicted with such dreadful frequency (people being hit in the face, kicked in the groin, shot, stabbed, tortured, disembowelled, decapitated) but which flees in fear and trembling from the sight of a man daring to talk on television about homosexual practices. Practices which, whatever the prudes and

What sort of a daft broadcasting system have we constructed for ourselves which encourages us to watch pain being inflicted with dreadful frequency, but which flees in fear and trembling from the sight of a man daring to talk on television about homosexual practices?

prodnoses may feel about them, *are indulged* for the mutual pleasure of the participants, often as an expression of love.

No doubt the reason for the BBC's *desperate* cowardice over *Horizon* is that the programme goes into such matters as cottaging and anal sex. It even mentions sado-masochism, coprophilia and urolagnia (which, sensibly enough, are described, albeit briefly, in words more familiar to the average viewer). But if somebody does not start soon to say publicly just which practices do and which do not cary a high risk of spreading AIDS, then Britain will find itself faced with an epidemic of American proportions. To suppress public discussion is crazy.

The programme was made by Fisher Dilke whose previous work for *Horizon* includes "Professor Hawking's Universe," the memorable film about the brilliant Cambridge physicist Stephen Hawking, who lives in a wheelchair. It is worth quoting part of Dilke's introduction to the AIDS programme because it encapsulates the vital reasons for making it:

"Since 1982 Britain has been faced with a public health problem of particularly massive proportions. The AIDS virus is all the more difficult to contain because it has chosen 90 per cent of its victims from a group of people who are not generally accepted by the rest of society: homosexual men. Even less is known about the lives of homosexual men in Britain than about the AIDS virus itself, yet the habits and fears of gay men have more to do with the immediate spread of AIDS than any other factor.

"This ignorance of homosexual lifestyles and the *general unwillingness* of most people to talk openly and honestly about sexual matters may be the reasons why, even now, three years into the epidemic, there is still no large scale government programme *of public health education* designed to tell gay men how to make their sex lives safe. When that programme starts it will have to go into intimate details of homosexual sex, and to reach everybody at risk it must be mounted on such a scale that everyone else, whether they like it or not, will be informed as well. In this film gay men talk frankly about their sexual lives and whether they have been affected by the first three years of AIDS."

And that—and *only* that—is what follows: frank talk. Not only is there no film of homosexual practices, there is not so much as a still picture or a diagram; merely men answering questions. Some viewers might not want granny in the room for some of the questions (though she is presumably old enough to take throat-cutting and crucifixion). "Just how do you do anal sex in a public lavatory?" is not the kind of question you hear every night.

But it is exactly the sort of question which must be answered if we are to understand how this disease is transmitted. At least, I think it is; even this programme *with* its relative frankness does not really tell you "who does what and with what and to whom," which is what we really need to know. For that you still have to go to Krafft Ebing or John Lahr's astonishingly explicit Penguin biography of the playwright Joe Orton, Prick Up Your Ears.

In one sense there is less controversy about the ITV programme. Both Thames Television management and the IBA agree with the programme makers that it should be shown. However the IBA people are insisting that their layman's

An episode in the series presents a case study of incest and publicises the work of the Incest Crisis Line. I can report that the programme could not possibly be described, even by the most prudish, as sensational or exploitative.

outlook, which sees the programme as unsuitable for small children, should prevail over the views of all the child psychiatrists and mental health experts who have been consulted and who say that "younger children would understand little and older children would find it of value."

Someone To Talk To was organised as a series of four case studies (the other subjects being alcoholism, senile dementia and drug addiction), and then a fifth programme for discussion. They were planned deliberately by producer Diana Potter and presenter Dr Dick Thompson, the associate director of the Mental Health Foundation, as daytime programmes.

The edition on incest contains no depiction of its subject but simply discussion: an actress plays the part of Kristina, who describes how her uncle started an incestuous relationship with her when she was five years old and continued until she was 13. Then Richard Johnson describes the services provided by the Incest Crisis Line.

The description of actual incest is so euphemistic that it is impossible to believe anybody younger than 10 or so would understand it. Asked on Channel 4's *Right To Reply* whether the IBA had expert medical advice contradicting that of the programme makers, M. C. B. Rowley, an IBA *officer, made it clear that they* did not. The IBA officers appear to be taking up their position on one verbal incident: a description by Kristina of a moment when she raised her own baby above her head as *though to fling it to the ground*—which, she declares, she did not do.

To see the IBA pushing this programme away with such a deeply caring expression for the tiny tots, lest their sensibilities be assailed by this sentence, is of course a most touching sight. It does, however, make you wonder whether they and we are all right round the bend. Do they really expect us to believe that *The A-Team* with its loathesomely vivid depiction of endless violence is jolly good kiddies' fare whereas a woman talking about *thinking* about dropping a baby is reason for weeding a programme out?

While television continues with its barrage of violence—the knee in the stomach, the broken bottle in the face, the garrottings and machine gunnings, all in the name of *entertainment* — we are told that two serious and important social programmes have been pulled from the schedules because they might offend some viewers, and could distress a minority. Perhaps that minority should be warned that one day they may find themselves even more distressed and offended when their grandchildren are scarred by incest and their brothers killed by AIDS.

Blood, Sweat and Tears/Tricycle

Michael Coveney

It is back to the sporting life for Hull Truck in this fine new piece from John Godber and his tough springy company. Inspired by Hull's own world *judo champion, Karen Briggs*, the action is set in a small club, designed by Viv Burnley, whose star player, Andy (Steven Brough), has been four times champion of Humberside, three times of Yorkshire, with the European title beckoning. The club's overall record is good, but the council is shifting its support to Alderman Clough's Sports Centre where the showers, it is rumoured, will be hot.

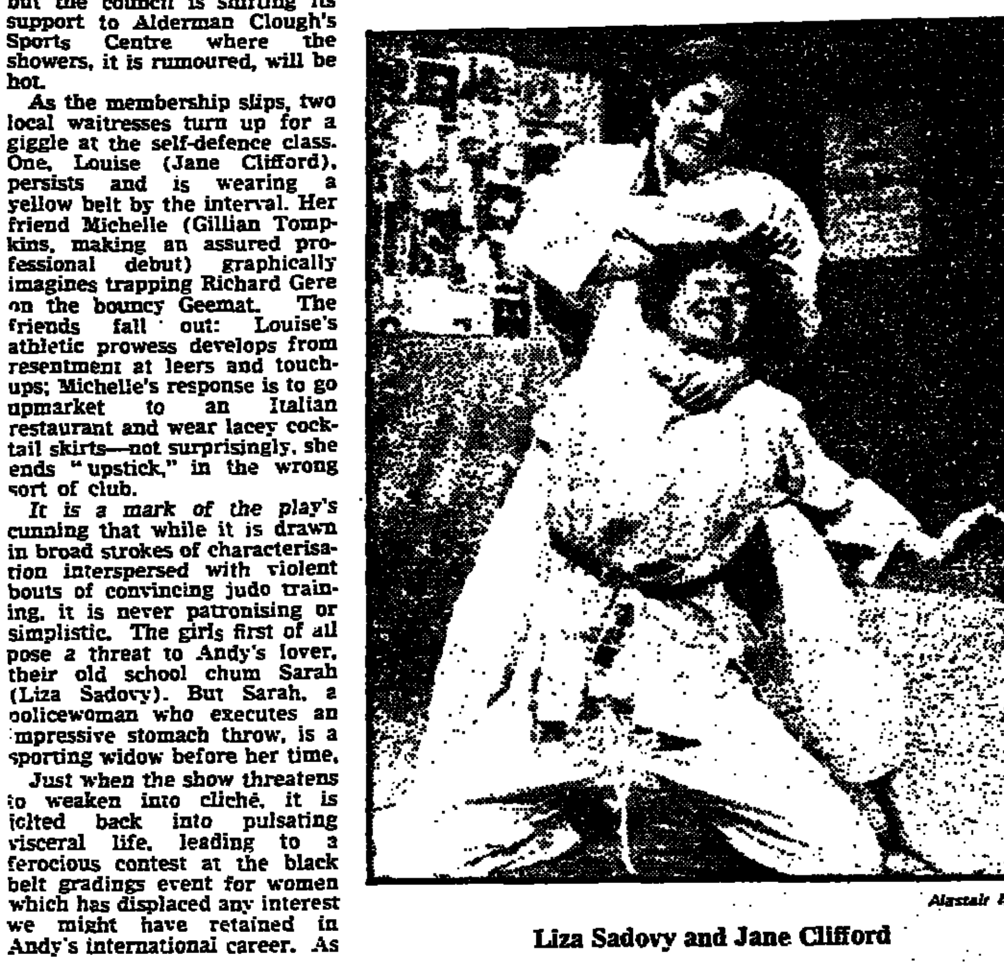
As the membership slips, two local waitresses turn up for a giggle at the self-defence class. One, Louise (Jane Clifford), persists and is wearing a yellow belt by the interval. Her friend Michelle (Gillian Tompkins, making an assured professional debut) graphically imagines trapping Richard Gere on the bouncy Geemat. The friends fall out: Louise's athletic prowess develops from resentment at leers and touch-ups; Michelle's response is to go upmarket to an Italian restaurant and wear lacey cocktail skirts—not surprisingly, she ends "upstick," in the wrong sort of club.

It is a mark of the play's cunning that while it is drawn in broad strokes of characterisation interspersed with violent bouts of convincing judo training, it is never patronising or simplistic. The girls first of all pose a threat to Andy's lover, their old school chum Sarah (Liza Sadovy). But Sarah, a policewoman who executes an impressive stomach throw, is a sporting widow before her time.

Just when the show threatens to weaken into cliché, it is kicked back into pulsating visceral life, leading to a ferocious contest at the black belt gradings event for women which has displaced any interest we might have retained in Andy's international career. As in the first *Up 'N Under*, the sport comes alive on a tiny space through ingenious choreography and patent physical ability. The advance on *Up 'N Under* is the *marriage* of Godber's sporting instincts to the quieter, lyrical style of his more personal, nostalgic work.

Addressing the new upmarket self-defence group, Sarah states that, in Hull in 1984, there were 58 reported cases of rape, 340 of assaults on women. It seems to me, that in a populist and irresistible theatre work, albeit on a small-scale, Hull Truck has successfully blended society's concern at such statistics, and how women might start to fight back, with a blazing celebration of the gentle art of judo itself.

Jane Clifford is outstandingly good as the cocky pop-eyed street urchin who stays to find both her voice and her vocation.


Alastair Muir

Liza Sadovy and Jane Clifford

Matthew, Mark, Luke and Charlie/Latchmere

Martin Hoyle

I must confess to puzzlement at Robert Gillespie's beady-eyed comedy at the comfortable little Latchmere pub theatre in remotest Battersea. It sets up a mouth-watering gathering of the crass and the fatuous and, after some promising jokes, leaves us famished for rhyme, reason and development.

The spacious design of Andrew Feest and Susan Platt is marvellously evocative of executive London.

John, an American film director in poncho, stetson and check shirt, and his script-writer Luke confer with wimpishly correct Matthew, toothily idiotic and beamingly complaisant, tended by Charlie, an unflappable if slightly gormless *(female) secretary*.

Two Americans, two Brits. If Mr Gillespie's aim is to show the former as the new colonisers, he succeeds; not that the natives offer any resistance.

Matthew's function is unclarified. Possibly the owner of the property that the Americans want to film, he occasionally bleatingly reminds us that the hero is English. He exists to be ignored, humiliated (in a playful rough-house to entertain the writer's 12-year-old) or patronised.

Tony Doyle's thickset producer, menacingly slow-moving or overpoweringly boyish with his compatriot, could obviously get his teeth into something funnier or more savage than the climactic 20-minute monologue when he creates a film-story replete with corn and cliché.

Hamlet/Public Theatre, New York City

Frank Lipsius

The *Hamlet* that Liviu Ciulei put on at Washington's Arena Stage in 1978 heralded the Romanian director's arrival in America. Taking its cue from the intrigues of the Nixon Administration, the production was enacted on the protruding ramparts of a beseiged castle. Ciulei has repeated the Bismarkian uniforms in a new *Hamlet* at the Public Theatre in New York, but he has brought the production indoors. The scenes now take place amid rich carved furniture.


Kevin Kline

The changes may be necessary for the more conventional Public Theatre stage; but they also reflect Ciulei's accommodation to an extraordinary Hamlet, played by Kevin Kline. Kline is carving a niche for himself as America's pre-eminent Shakespearean actor. Joseph Papp, who runs the Public Theatre, keeps him supplied with major rôles in outstanding outdoor summertime productions in Central Park.

Kline makes familiar lines fresh. He delivers them with cadences that sound perfectly natural, but new. He speaks "*To be or not to be*" *staring* not at, but through the audience. He is not racked with indecision, just shocked at what others would do. Toward Rosencrantz and Guildenstern he shows open score, never *seeming to lay traps, but getting* to the heart of problems.

Ciulei surrounds Hamlet with foils for his virtue. Harris Yulin is Claudius, weighed down in leaden pomposity. Compared to the Arena Stage version where Richard Bauer played the king as a man learning the ropes, this Claudius was destined to be king because he could not live as anything else. Hamlet wrestles Priscilla Smith, a pliant Gertrude, down on her bed to force her to recognise the monster she lives with. Harriet Harris is a stately, pink-cheeked Ophelia who shares Hamlet's aloofness, but loses her love by letting herself be used as a spy on him.

The final confrontation takes place as though at a Victorian garden party, white wicker chairs strewn around in the duel between Hamlet and Laertes, who has returned in the black gloves and high leather boots of a Nazi uniform.

Having recently relinquished his directorship of the Guthrie Theatre, *Liviu Ciulei rounds* out his American work with affection, admiration, and insights into the American character.

Fischer-Dieskau cancels recital

Dietrich Fischer-Dieskau has had to cancel his Covent Garden recital this Sunday because he has influenza.

Griselidis/Opéra du Rhin

Andrew Clark

A visit to Alsace always brings its rewards: the food, the weathered landscapes and refreshingly un-cosmopolitan market towns are all part of its appeal, as are the quaint, dilapidated theatres. Opera has been given at the Théâtre Municipal in Mulhouse for more than a century.

A product of the composer's *mature years, Griselidis* cannot claim to be blue-chip Massenet, although it does have enough surface attraction to provide an undemanding evening's opera, as Wexford discovered some years ago. Like *Thaïs*, it leaves one wondering how far his prudish view of life and morality affected his development as a theatre composer.

This production, staged by René Terrasson and conducted by Claude Schnitzler, does not quite succeed. In his contrived search for effect, Terrasson lurches from sentimentality to something bordering on farce. The colourful but earthbound decor by Daniel Ogier, and *Terrasson's decision to clothe* the action in the costumes and manners of Massenet's lifetime, make the opera appear more dated than need be. In spite of some good ideas (such as the incorporation of contemporary poster design, and a strikingly Wagnerian flower garden) the overall effect was cheap.

The devil — impersonated, with characteristic professionalism, by Michel Trempont — resembled a *seigneur of the folies bergères*. The standard of acting among the rest of the cast was basic: many of the laughs came unintended. The Orchestre Symphonique du Rhin-Mulhouse relished the swelling *tutti* but was short on delicacy.

The most engaging performance came from Tibère Raffali, a Corsican tenor who was heard last season at Leeds. His handling of Alain's lyrically-charged outpourings breathed conviction if not always perfect evenness. I was unable to share his rapture over Griselidis: Hélène Garetti, stout and oh-so-conventional, lacked the visual and vocal charisma for a role offering plenty of potential for the *right singer*. It was hard to recognise here the figure whose almost biblical chastity fascinated authors and composers from Chaucer to Bizet, and whom Massenet invested with his own brand of period charm.

Rodrigo Festival/Elizabeth Hall

Paul Driver

The third of four concerts in a series devoted to the music of the 85-year-old Spanish composer Joaquín Rodrigo was given on Monday evening by the Bournemouth Sinfonietta under Raymond Calcraft, who devised the programmes for the festival (which also includes two recitals, the second to be given at the Purcell Room on Thursday by soprano Patricia Rozario and pianist Mark Troop).

The first of the four Rodrigo works to be heard was a British première *Música para un jardín*, a sequence of short, chamber-orchestral inventions composed intermittently between 1923 and 1957, supposedly evoking the seasonal changes of a garden. The tiny prelude, with its dainty tintinnabulations, and the first of four *berceuses*, with its continuously held, throbbing string chord seeming to convey the heat of summer — but I can't be absolutely sure which *berceuse* was which season — were the most arresting parts.

Falla's *Pedrelliana* (1938), the last movement of his *Homenajes* suite, this one a homage to his teacher, the composer Felipe Pedrell, afforded a brief but only moderately enlivening retreat from Rodrigo's music. Otherwise a sentient auditor's ear was necessarily dumbfounded by a succession of pieces—the 1963 *Cánticos nupciales, performed with eloquent* dullness by ladies of The Renaissance Choir and organist Derek Fry; the 1943 *Concerto de estío*, given with the composer's son-in-law Agustín Leon Ara as somewhat over-insistent violin soloist; the leaden setting of Unamuno, *Música para un códice salmantino* for solo bass (Noel Mann), choir and instruments—so tame, tidy and cheap as to be virtually devoid of interest.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Mar 7-Mar 13

Theatre

TOKYO

Kabuki (Kabuki-za): Morning and evening performances feature mainly younger stars in a miscellany of dances and popular short plays. Tamasaburo Takao also appears. Excellent English programme notes and earphone commentary. Kabuki-za Theatre, near Ginza. (541 3131).

Takarazuka All-Girls Revue. This phenomenon, the antithesis of Kabuki where all the roles are played by girls but with typical Japanese innocence and earnestness, is a must for visitors. Takarazuka perform elaborately staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals.

Highly improbable plots are more than compensated for by spectacular stagings and casts. Detailed English *summaries* in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre, near Ginza and main hotels. Afternoon and evening performances. (591 1711).

WASHINGTON

The Wild Duck (Kreeger): Romanian director Lucian Pintilie follows his production of Tartuffe with the Ibsen classic, again using the stunning set and costumes of Radu and Miruna Boruzescu. Arena Stage (488 3300).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used *as auditions* rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Barnum (Victoria Palace): Michael Crawford with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production. Richard Eyre's production and John Gunter's affectionately *lavish* designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to *My Fair Lady*. Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Lennon (*Astoria*): *A not too critical* celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Saleroom/Antony Thorncroft

Eastern art out of favour

A copper gilt figure of the Bodhisattva Padmapani, a foot high figure made in Nepal around 1300, sold for £9,900 at *Sotheby's yesterday*.

It had been bought from a monastery in Nepal in 1961 for very little: in those days the Himalayan kingdom had not yet been commercialised by hippies and drug dealers.

Even so, the price for a rare and finely modelled Buddhist figure was below the low estimate, indicating the selectivity of demand for Tibetan, Nepalese, Indian and South East Asian art. The three-session total was £235,840, but with 29.5 per cent unsold. Sotheby's had a good auction last summer in London, and another in New York. These seem to have exhausted demand from dealers, the main buyers.

Apart from the Buddhist figure, there was nothing in the auction of outstanding quality and, as in many fine art markets in the past year, it is only items of the first rank which command high *prices*.

Tibetan bronzes of the 18th century were a weak sector, with most lots going for around their low estimate. Metalwork and textiles were also disappointing, but Gandharan *sculpture did well, and so did* jade. The new auction market in Moghul sculpture was quite encouraging: a West Indian white marble stele depicting a female musician of around 1800 was on target at £2,750.

Other high prices were the £5,500 for an early Jain bronze group of 737 AD, and £4,950 (well below the estimate) for a *large Deccan* painted cotton cloth depicting Krishna and the Gopis, of around 1800. Basically this is a sector where London acts as an entrepôt for overseas buyers.

Phillips made £112,460 from an auction of Victorian pictures, with 23 per cent unsold. The top lot was "Shipping off a coastline" by Henry Redmore, painted in 1867 and depicting sailing boats in a choppy sea. It sold for £11,000, at its top estimate.

A hunting scene by Frank P. Freyburg, assisted by Ernest Pile Bucknall, "A refuge in distress," showing a fox up a tree with the hounds baying around the trunk, beat its forecast at £8,800, and an 1882 portrait of a pretty girl by Archibald Wortley sold at the top estimate of £5,720.

Another portrait, "L'Innamorata," a young lady gazing soulfully out to sea, painted by Henry Nelson O'Neil in the 1850s, almost doubled its forecast at £4,400.

Sotheby's is showing its more charitable side by arranging a private treaty sale to keep the oldest Book of Hours associated with Scotland in that country. The National Library of Scotland, with the support of the National Arts Collections Fund, must raise £500,000 to keep the early 14th-century Murthly Hours in Scotland.

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An excess of litigation

UNTIL recently American litigiousness was a trait that raised eyebrows in Europe but did not merit much comment there. It was as alien as American football is to rugby and it reflected some of the same differences in attitude—the desire in the US for precise analysis and adjudication, the readiness to commercialise, the rejection of such precepts as "it just isn't done."

The American legal system had, and has, an impressive aspect as well. It adds a perverse element of egalitarianism to America's capitalist society because it allows the man in the street to tackle large corporations that have wronged him. It acts, too, as a non-bureaucratic regulatory machine, making industry much more wary of exploiting the consumer or of selling him defective or dangerous products.

Recently, however, the habit has developed into a disease which threatens to sap the economic vitality of the US and which is beginning to affect other countries as well. The American legal system has become such a soft touch that insurance cover against its damage awards is drying up. Doctors are limiting the types of service they dare provide. Companies are withdrawing products from the market for the same reason, and are deterred from developing new ones. National parks and ski resorts are restricting access and activities.

Insurance

In Europe, governments—and particularly the British Government—have been trying of late to discourage their electorates from believing that the state can provide and can shelter people from all adversity, risk and danger. They have come to regard this belief as one of the components of economic "Eurosclerosis." Litigiousness may well be emerging as the US version of this malady; people expect the courts to provide and entrepreneurs are demoralised, not by taxes and bureaucrats, but by the prospect of legal fees, punitive damages and lawyers.

The rest of the world is beginning to be directly affected by this because the cost of insurance cover for imported products is rising too. Litigiousness is thus evolving into a subtle sort of American non-tariff barrier.

In addition, as the commercial and financial world becomes increasingly integrated, there is a tendency for habits born of litigiousness to infiltrate markets where custom and practice have been relied upon to preserve probity.

The development is hard to tackle because it derives from an ingrained attitude, because of the vested interests of America's vast legal profession, and because product liability cases tend to be brought under state, rather than federal laws. While quick fixes are hard to prescribe, a number of changes are needed to roll the tide of litigiousness back a little—changes that judges, jurors and state legislators can gradually introduce.

Contingency fee

Tort law in the US is said to be moving away from an approach that identifies a party as negligent and charges him damages, to one that compensates people who have suffered misfortune by charging damages to anyone, somehow involved, who seems able to pay. Courts and juries need to remember that while this may seem a compassionate system in individual cases, it cannot be sustained if applied generally.

The contingency fee system, whereby clients pay lawyers a percentage of damages only if they win their case, is undeniably a driving force behind the whole product liability problem. State legislators should rein it in by establishing ceilings for the damages that can be awarded in different types of case and by limiting the trial lawyer's take to a low proportion of any award.

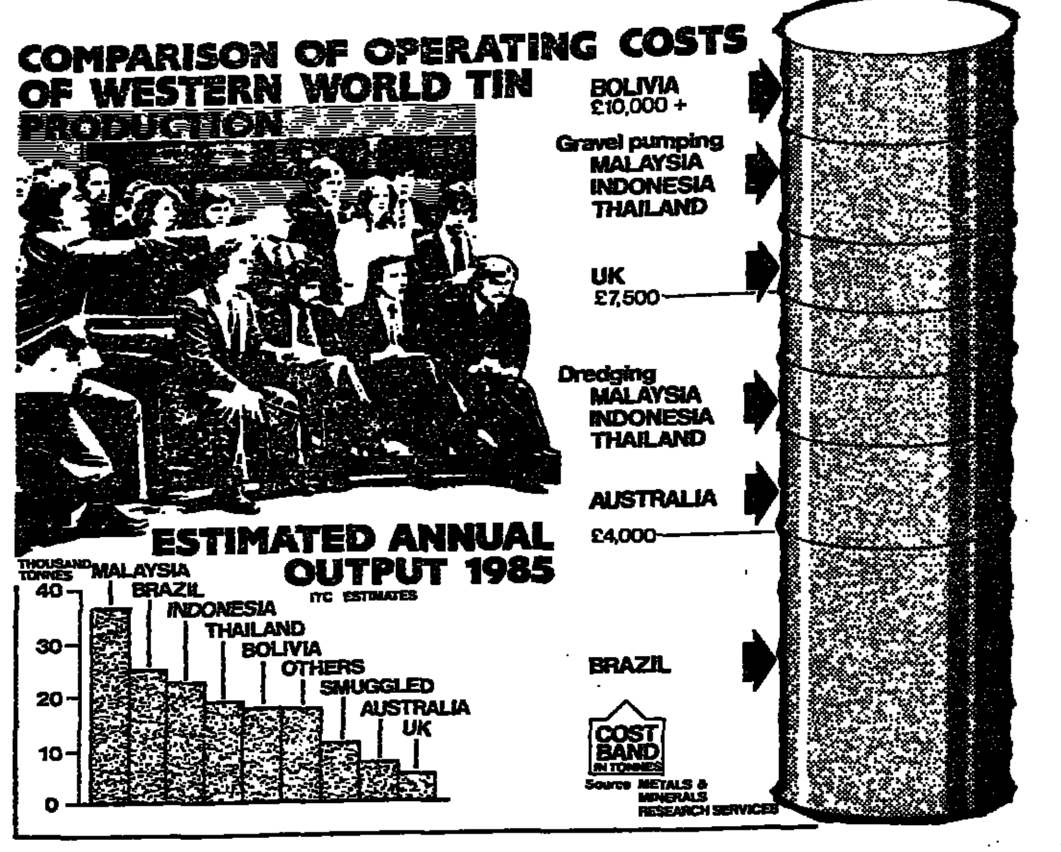
Litigiousness is also encouraged by the US practice of having the defendant pay his costs even if the case against him is rejected. If courts were able to use more discretion in charging all costs to an unsuccessful plaintiff it would discourage speculative litigation. State governments could further dampen the habit by developing systems for pre-trial arbitration for product liability complaints.

There is already a groundswell of concern in the US about the ballooning of commercial liability awards and these are some of the channels into which it will probably flow. The object of the adjustments should not be to emulate Europe, where it remains excessively difficult for the average individual to invoke the processes of the law against powerful defendants. It is to preserve the wealth-creating powers of the American system, which cannot be expected to deliver innovation or consumer choice unless a degree of *caveat emptor* is considered allowable.

International tin crisis

Paying the price of the market's collapse

By Stefan Wagstyl



TODAY IS the day of reckoning in the international tin crisis for the London Metal Exchange. The world's biggest and oldest metals market has demanded that trading companies who did business in tin pay their bills by noon.

There is every sign that almost all of them will, removing the threat of immediate bankruptcies. But with legal writs flying across the exchange that will hardly be an end to the mot serious crisis in the LME's 107-year-old history.

The LME will carry on paying for years to come for its involvement with the International Tin Council, the inter-government price pact which ran out of money in October owing some £900m to banks and metal traders.

And while the exchange bears the brunt, the impact of the tin council's default is spreading far beyond the shell-shocked trading ring at Plantation House. Banks which lent money to the ITC still have to extricate themselves. The world tin industry must adjust to a sudden collapse in prices. The value of other commodity pacts is being questioned and the ITC's 22-member governments, including the UK, face intense criticism over their role in the council. The City of London must cope with the crisis just as it is trying to get over the Johnson Matthey Bankers affair and adapt to a revolution in the regulation of its markets. These legal battles have already reached the courts.

Matters were brought to a head by last week's failure of efforts to refinance the ITC with money from banks, brokers and member governments.

The rescue plan was designed to finance the sale of the council's 85,000 tonnes stockpile, but foundered on opposition from Indonesia and Thailand, which claimed that the plan was too expensive.

When the creditors' patience ran out last Thursday, the LME authorities decided to limit the damage to traders with ITC contracts by organising a "ring-out," a fixed tin price of £6,250 a tonne on outstanding contracts, to be paid by noon today. This compares with a price of £8,140 a tonne when tin trading was suspended on October 24 and a catastrophic £4,000 a tonne price the LME feared an unregulated reopening of the tin market would cause.

The exchange's ruling will have the effect of spreading the losses of the 24 traders with ITC contracts to other traders and to LME clients.

With a fixed settlement price the 24 brokers face a £150m loss, £140m of it shared among 13 LME ring-dealing (full) members. Further losses will hit those who end up holding tin stocks when LME contracts are settled. The size of these will depend on how far free market tin prices fall below the £6,250 a tonne settlement price.

If prices do fall to £4,000 a tonne, there will be an additional loss of some £130m. Eight of the group of 24 traders, who had special financing deals with the council, would share a £60m loss. A further £70m would be spread among other traders and customers, including mining companies which had sold their tin forward on the market to try to protect against price fluctuations. The total loss by the trade is then £310m. As a senior broker said: "Just because you spread the losses around they don't go away."

But the fixed price settlement has not pleased everyone. Some brokers argue that a fixed settlement price was wrong and that ITC contracts should have been honoured at their full face value. They accuse the board and committee of making up rules after the event.

One of these is Shearson Lehman Metals, a ring-dealing member, which together with its New York parent company, Shearson Lehman Brothers, is suing the exchange over its decision.

The suits will not stop today's ring-out, but they mean that the LME will have to fight its case for months to come.

The crisis has badly weakened the LME. The 25 surviving ring-dealing companies, with an average net worth of under £10m, will take years to recover from their tin market losses and from the effects of the slump in trade in other metals over the five months since October.

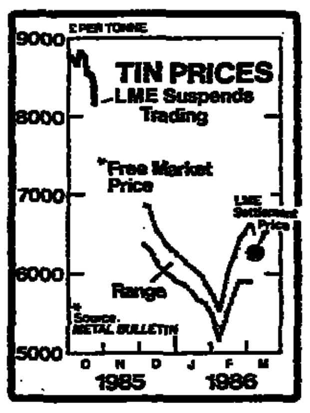
So far only one company—MMC Metals, a subsidiary of the state-controlled Malaysia Mining Corporation—has gone into liquidation. But the crisis also hastened the break-up of Canadian-owned Rudolf Wolff, one of the LME's founder members.

A sudden spate of bankruptcies is not expected. But traders may close down, cut back or merge. Some multinational groups which own most traders may rethink their long-term plans; but mining companies like Noranda (Wolff's parent) are more likely to pull out than financial houses like Shearsons or Drexel Burnham Lambert. "You will see people quietly packing up and going," said one trader, "the LME will have fewer good old-fashioned metals traders and more financial whizz-kids."

Reforms in the way the exchange is run could well speed up changes in the membership.

Even before the tin crisis, the LME authorities were under pressure to change, both from some member companies and from the Securities and Investments Board, the agency being established to oversee the regulation of the City's markets. Demands for reform are now becoming overwhelming. Mr Mike Metcalfe, a director of LME member Holco Trading and of its parent company E. D. and F. Man, says: "The exchange has got to get itself into the 20th century, even if it only beats the end of the century by a short head."

At the SIB, which will ultimately have to approve the LME's rules, the feeling is that the exchange needs to follow other London exchanges and virtually every other commodities market in the world in setting up a clearing house. At present ring-dealing members deal directly with each other as principals. In a clearing house system everybody deals through a settlement company, which is meant to prevent the collapse of one trader from bringing down others.



The SIB would also like to see better controls over the size of the trading positions traders and clients are allowed to build up on the LME. Other exchanges, including the LME's rival, Comex in New York, demand the payment of compulsory margins. The LME could be asked to demand the same from its clients, or to require advance deposits from them.

LME officials argue that such changes would not have prevented the tin crisis, though they admit that the scale of the potential disaster might have become apparent earlier. The exchange board and committee are working on reform ideas of their own.

By comparison with the LME, the 14 banks which lent some £250m to the ITC will escape from the crisis relatively unscathed. They should cope easily with the losses—£100m if they have to sell the tin they hold as collateral at £4,000 a tonne. But as Sir Adam Ridley, a director of Hambros Bank and a spokesman for the lending banks, told a House of Commons Select Committee, the experience will teach banks to be more cautious about lending to governments and to international organisations.

Sir Adam's chief concern is that debt-laden Third World countries might use the ITC as a precedent if they ever chose to renege on their loans.

Beyond the City, the main impact of the tin crisis is the effect of lower tin prices on production and consumption. Not only does the market have to live without the tin council's support scheme, but it has to absorb the tin stockpiled by the council and by the mines—some 100,000 tonnes in all, or about eight months' of Western consumption, running at 160,000 tonnes annually.

With secondary market prices hovering around £5,000 a tonne, production is already being reduced, though the cuts are falling very unevenly. The ending of ITC export quotas, this month, which in the past have cut output by 40 per cent in member countries, leaves producers free to concentrate on their best and lowest-cost operations.

In Australia, for example, the second largest tin mining company, Aberfoyle, has closed one mine and could shut the other, but Renison Consolidated Goldfields, an associate of the UK group Consolidated Goldfields, is planing to expand output to reduce unit costs.

In the UK, the Cornish industry's future looks gloomy, with costs well above market prices. But in Brazil, the world's cheapest producer which expanded its industry while refusing to join the ITC, production is expected to grow.

Overall the brunt of the industry's cuts are expected to fall in South-East Asia, particularly by the high-cost gravel pump mines, which are run by small companies typically employing *a handful of people*, rather than by the low-cost dredging groups.

More than 100 of the smallest of Malaysia's 400 mines have already closed, 100 more are temporarily shut or running at half-pace. The industry estimates that with a market price of £6,000 a tonne, it will have to cut output back to 35,000 tonnes annually against last year's 37,000 tonnes. In Thailand the first cuts have come among the small companies which specialised in smuggling tin to circumvent ITC quotas. The glut in the market has already driven them out of business. The industry believes more than 40 per cent of mines might eventually close.

Indonesia, where the industry is largely state-owned, unlike Malaysia and Thailand, is expected to cut back the least. Tambang Timah, the state tin company, is aggressively planning to expand output to lower costs and maintain employment. But given the country's economic difficulties, brought to a head by the fall in oil and gas prices, it does not seem probable that the government can afford to permanently subsidise tin production.

For tin consumers, the fall in prices is a long-awaited boon. It should mean a modest decrease in the cost of some tin-containing goods. Cookson Group in the UK has dropped the price of solders by some 5 to 10 per cent for example. But the price collapse will have little overall effect in demand for tin since the tin-content of most products in which it is used is small. The proportion by value of tin in tinplate, the biggest market, is under 4 per cent.

Producers and consumers alike have meanwhile learnt to live without the LME's tin market, which offered protection against price movements. Generally, consumers have run down stocks in the crisis and are in no hurry to build them up. In these circumstances, they have no pressing need for a futures market.

In Malaysia and Indonesia the threat to employment and to the balance of payments makes the tin crisis a sensitive political issue, particularly with general elections due in the next year or so.

However, their difficulties pale in comparison with Bolivia's, which relies on tin for 40 per cent of export revenues. Production here, which was falling anyway due to a shortage of foreign exchange to buy mining equipment, is expected to fall further, plunging an impoverished country deeper into economic trouble.

The International Tin Council itself is left with few friends. Its officials believe that the current International Tin Agreement, the sixth since the Second World War, will be the last. The council might survive, but only as a research and study group for the industry.

Dr Guenter Behrendt, head of the West German ITC delegation, says it is obvious to everyone that international commodity agreements are a thing of the past. The failure of attempts to revive the International Cocoa Agreement in Geneva earlier this month has to some extent been blamed on the tin crisis.

But if the future of the ITC is limited, its recent past now offers boundless opportunities for at least one group of people—the lawyers. Two banks, the Arab Banking Corporation and Standard Chartered Bank, have started court action and three brokers have launched arbitration proceedings. Others are certain to follow. At the LME, Mr Metcalfe says: "We will go for them. I'd love to go to Heathrow and seize a Garuda (Indonesian airlines) jumbo jet."

The next phase of the affair will give lawyers a historic chance to test the claims the ITC and its member governments make to immunity from court action, since creditors claim that governments divest themselves of immunity in commercial transactions. "This will go all the way to the House of Lords," says one solicitor.

Tougher rules on price fixing

THE REVIEW of UK competition policy recently announced by Mr Paul Channon, the Trade and Industry Secretary, is not yet attracting the attention it deserves. Comprehensive appraisals of competition policy are few and far between—the most recent was undertaken by a working party of the Department of Prices and Consumer Affairs in 1978-79. It is important that Mr Channon's review does much more than merely attempt to clarify the policy on mergers following the spate of City takeovers.

Complex competition issues are being raised by, among other developments, the privatisation of public-sector monopolies, the attempt to liberalise the professions and the new system of regulation of financial markets. One of the most important priorities, as Sir Gordon Borrie, the Director General of Fair Trading, argued last night in his Travers lecture to the City of London Polytechnic, is a review of the Restrictive Trade Practices Act.

Restrictive trade practices legislation has played a crucial role in stimulating competition. When the first Act was introduced in 1956 collusive agreements—for example market share arrangements and price fixing—were endemic in UK manufacturing: Sir Gordon suggests that as much as 50 per cent of trade may have been covered in one way or another. Many of the restrictive agreements were swept aside in a series of prosecutions in the 1950s and 1960s but British industrialists' long-standing suspicion of competition was not eradicated: mergers became more popular once collusion was tackled.

The shying away from competition has been just as prevalent—and damaging—in services as in manufacturing but the former came under the remit of restrictive practices legislation only in 1976. The classic example of action by the Office of Fair Trading in the services sector was the prosecution of the Stock Exchange which began in 1979 and eventually ended in an out-of-court settlement in 1983 that paved the way for October's "Big Bang." But the Restrictive Trade Practices Act has acted as a catalyst for change in many other areas—for example estate agency.

The question now is how to improve the Act. Sir Gordon accepts the legislation is not as effective as it might be. For one thing, there is far too much stress on the legal form rather than practical substance of restrictive agreements. Clever lawyers can restructure agreements so as to have identical effects yet not need to be registered under the terms of the Act. The OFT can only act against agreements that have to be registered. What is required is the sort of shift that has already occurred in tax law where it is the substance of transactions rather than their legal form that matters.

Legislation

There also need to be stiff penalties for failing to register restrictive agreements. At present, it is not even an offence to fail to register. The worst that can befall the company concerned is a private action for damages and this is extremely rare. If the OFT stumbles upon the unregistered collusive practice, all it can do is ask the Restrictive Practices Court to ban it. If the company then defies the court as several have, it faces only a very modest fine. As Sir Gordon admits, the penalties for secret anti-competitive practices "are not so far particularly onerous."

A bigger question for Mr Channon's review is whether the UK should not now model its legislation on the approach taken in the Treaty of Rome which currently affects only inter-state trade. Article 85 of the Treaty does not, like British law, merely presume that anti-competitive practices are against the public interest; it prohibits them subject to certain exemptions. This more direct approach would allow quicker and firmer action against domestic restrictive practices.

Ontario's gold miners

Peter Steen and Murray Pezim received a *rich prize* last week—one of Canada's biggest and newest gold mines. The two men are chairman and vice-chairman, respectively, of International Corona Resources, the junior mining company which an Ontario judge decided is the rightful owner of a mine opened last year in the Hemlo area of western Ontario by the much larger Lac Minerals.

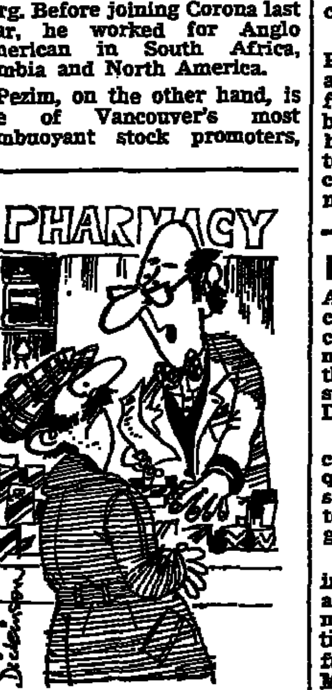
Lac has been ordered to hand over the mine to Corona, as well as profits earned from it, plus interest. The judge estimated the value of the damages at C$700m.

Steen and Pezim are a study in contrasts. Conservative and soft-spoken, South African-born Steen, 55, began his mining career at the Blyvooruitzicht gold mine south of Johannesburg. Before joining Corona last year, he worked for Anglo American in South Africa, Zambia and North America.

Pezim, on the other hand, is one of Vancouver's most flambuoyant stock promoters, who has won and lost several fortunes since he left school to work in his father's butcher shop in Toronto. In the forefront of efforts to develop the Hemlo gold field in the early 1980s, Pezim, 65, modestly told a reporter recently that "my goal is to have discovered more gold mines than any known man."

Several Pezim companies are currently looking for new mines in Saskatchewan. But his interests extend beyond mining. He recently took a 30 per cent interest in a company called Wildfire Resources, whose planed ventures include irrigation, home video rentals and air cargo.

One Pezim company, Pezzaz Productions, collapsed last year after failing to find a market for its tape-recorded greetings by Hollywood stars. Pezim also had little success with his plans to build a three-wheeled electric car. But he observes: "One must never quit, no matter what."



"How do you want to pay, direct debit or hire purchase?"

Men and Matters

Lord's wicket

Alan Lord's first routine press conference yesterday as the new chief executive of Lloyd's was in markedly contrasting style to those of his predecesor, the spikey accountant, Ian Hay Davison.

Lord stood throughout the conference, answering questions quietly, as befits a former civil servant, whereas Davison used to sit, firing at them machine-gun fashion.

Questions about who really is in charge of Lloyd's were adroitly fielded in the Whitehall manner. Yes, Lord said, relations between him and the forceful chairman of Lloyd's, Peter Miller, were amicable.

So was he head of the civil service and Peter Miller the prime minister at Lloyd's, as the chairman had once described the relationship?

The description was not entirely analogous, Lord replied. It implied that the civil servant was carrying out a minister's instructions.

What Lord, the former chief executive of Dunlop, hopes to do is to lift the burden of day-to-day matters from the chairman and his two deputies, elected from the Lloyd's market, allowing them to spend more time on key issues.

Miller has made no secret of the fact that he regards his role as an executive one within the market, a matter which drew him into conflict with Davison. For the future, the battles over relative roles and status may be fought less visibly, but they are by no means over.

Lean times

Kjell-Olof Feldt, Sweden's finance minister, has decided that the country would be better served by leaner, hungrier businessmen.

In the hunt for ways to finance improved welfare benefits—this time to raise child allowances—he has decided to cut down the tax deductions available for expense account meals.

If the finance ministry has its way the meagre tax deductions now available for business lunches will also be applied from the end of the year to evening dinner—a meal which has previously been treated with a little more latitude.

Feldt's Bill, presented to the Swedish parliament yesterday, says that the government's corporate taxation committee has concluded that "Allowances for entertainment in some cases encouraged a largesse that exceeded what was needed for doing business."

Explaining the measure he says it was in the interests of the nation's health. "It might *contribute to slimming down* some of the members of the business community."

There is one loop-hole for trenchermen. Foreign guests in Sweden can still be entertained as lavishly as before. But to qualify, the foreigner has to be resident abroad and a representative of a non-Nordic company. "Everyone will be entertaining Japanese guests in future," one finance ministry official observed privately.

The Swedes have a reputation for inventiveness when it comes to dealing with the country's onerous tax regulations, which may assist them to go on enjoying their dinners.

A couple of years ago when the authorities decided that wine and spirits should no longer be tax deductible as part of expense account entertaining it was not long before a new hors d'oeuvres appeared on the menu in some Stockholm restaurants—gin-marinated olives.

Bank rates

Less than a year after appointing its first banking supervisor, Guernsey is to start looking for a replacement. Richard Whitford, 43, who left Allied Bank International in London to take up the newly created offshore post last May at a *salary of* £29,500, has just handed in his resignation.

The Guernsey authorities are a little anxious about how much they will have to pay for his successor. When Whitford was appointed, his boss on the island, commercial relations adviser, Bruce Riley, was only getting £22,000 a year and had to be given a hefty rise to put his *pay above that* of the newcomer.

The local income tax administrator and his assistant were also given big increases to match Whitford's salary.

Observer

UK TAKEOVER BATTLES

Bulls shake the china shop

By Martin Dickson

THE USUALLY urbane voice of the merchant banker quivered with anger. "The time has come," he said, "to shoot a few of these blighters on the quarter-deck—and I mean shoot, not a gentle little tap on the knuckles."

The language may be a trifle melodramatic, but it expresses a concern widely felt in the City: that the tactics now being pursued in takeovers—such as rule-bending and black propaganda—are putting great strain on the delicate and uniquely British framework which governs bid battles.

The concern has been highlighted by a spate of recent incidents. This week, for example, a row has broken out over alleged "dirty tricks" in the fight for Distillers, the spirits group trying to ward off a £2.4bn bid from Argyll, a much smaller supermarkets business, while instead, welcoming a takeover from Guinness.

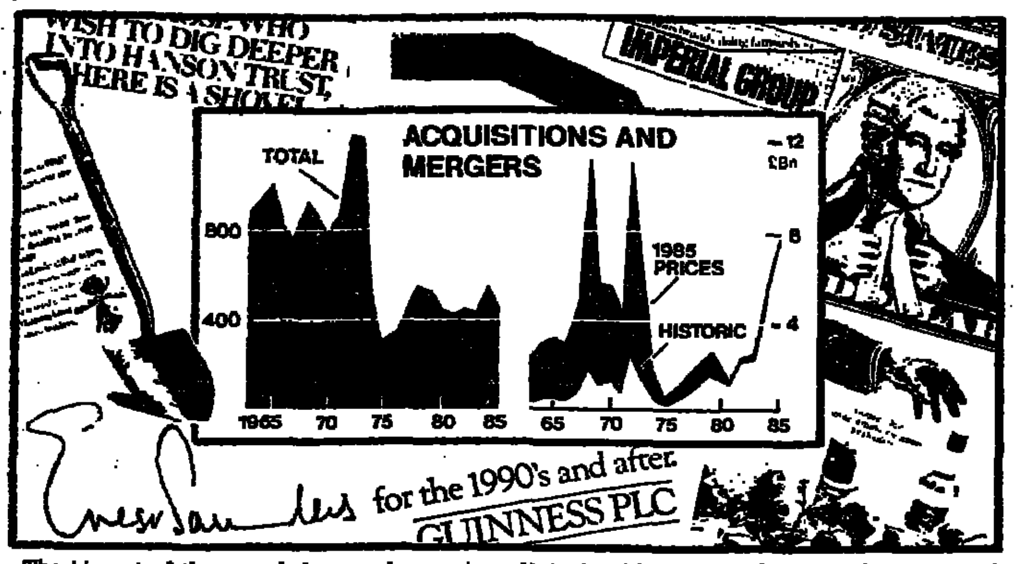
Binns Cornwall, a small City public relations company advising Distillers, admitted that it had selectively leaked to the Press the fact that the Who's Who entry for Mr James Gulliver, chairman of Argyll, gave a misleading impression of his educational background.

More seriously, both the Stock Exchange and the Bank of England have recently had to issue new conduct guidelines in response to a remarkable spate of share buying on behalf of clients by Morgan Grenfell, the most aggressive of the merchant banks which act as financial advisers to companies in takeovers.

The fear is that all these shocks to the system could push Britain down the road that ends in a formal, legalistic framework for takeovers, like that of the US.

Yet, with the possible exception of the legal profession, there are few in the City who would wish to see that. The present British system for bids to be policed mainly by the Takeover Panel, a self-regulatory City body whose powers are those of censure and persuasion. The great merit of the system, say those who use it, is its informality, speed and flexibility.

Takeover tactics have been increasingly ferocious for several years, but many observers have detected a more fundamental change in the past few months, resulting from the extraordinary boom in bids for very large companies.



The biggest of these, and the most aggressively fought, are the three-cornered and similar fights for Distillers and for Imperial Group, the tobacco, brewing and food business. Imperial has agreed to be taken over for £2.4bn by United Biscuits—a company less than half its size—but is fighting off a rival bid from Hanson Trust, the industrial conglomerate that is one of Britain's most expert practitioners of the art of the takeover.

These battles have highlighted three major areas of concern for City regulators.

First, protagonists are increasingly prepared to stretch the rules laid down for the conduct of takeovers to their limit, and beyond. Many of these incidents might appear trifling to those outside the hothouse atmosphere of the banks' corporate finance departments, but cumulatively they create a trend.

Some have more serious implications, such as Morgan Grenfell's recent expenditure of £540m to buy shares in target companies on behalf of its clients United Biscuits, Guinness and Rank Organisation, which has launched a bid for Granada.

The purchases raised the issue of banking financial prudence, since Morgan's last declared net worth was only £174m. The Bank of England intervened and imposed tighter rules on such buying to limit a bank's exposure to any one company.

In the case of United Biscuits, the purchases also raised the issue of corporate financial prudence, since United, with a net worth of just £410m, had indemnified Morgan for any losses on shares worth £360m.

This time the Stock Exchange intervened. It has a regulation saying that companies spending more than 25 per cent of net worth on an investment must first consult shareholders. Indemnity agreements were not specifically included in this rule, so the Exchange had to bring in new regulations.

Equally controversial is Morgan's involvement in a unique deal under which Distillers has agreed to pay Guinness's costs in mounting its bid, which could total £80m.

Creative deals such as these have become the hallmark of Morgan, which has risen to prominence in corporate finance work over the past six years through cultivation of fast-growing, aggressive companies. Success has bred further success—though in recent months Morgan's star has shone less brightly, as it has been on the losing side in six takeover battles.

But Morgan is not alone in testing the system to the full. Merchant banking gentlemen generally have become not just players, but gamesmen. "Two or three years ago," says one, "practitioners observed the spirit of the takeover code and Stock Exchange rules and feared the two bodies. Nowadays the form is not to consult them, if you're thinking of doing something marginal, but to just go ahead, knowing the authorities will be too feeble to do anything."

At the same time, companies are more and more prepared to take to the courts and this is introducing *de facto* a more legalistic atmosphere to bid battles. In some cases, the companies' challenge is directed towards Whitehall — as with the current judicial reviews in which Argyll is challenging a Monopolies Commission ruling on the Distillers bid, and Rank is challenging an Independent Broadcasting Authority veto of its bid for Granada.

In other cases, the issue concerned is not within the Takeover Panel's competence. *Hanson Trust, for example,* is suing Imperial for defamation.

A second concern of the City authorities is the quality of information — particularly advertising—provided by companies. *The current wave of bids* has produced a heavy volume of newspaper advertising, much of it copy knocking the rival company's record. Fact twisting has been developed into a high art.

A third area of concern is the activities of public relations companies, which have assumed a much greater importance in takeover battles in recent years and are often far less restrained than merchant banks in their tactics. Journalists, for example, may be offered "off the record" propaganda about the opposing camp.

Behind these trends lie a complex set of factors. One is the competition engendered by the move of the City towards next October's "Big Bang"—the abolition of minimum commission and of the distinction between the broker and the jobber. The cosy old relationship between a merchant bank and its client is being replaced by a more fluid one, with banks approaching new customers with ideas for "one off" takeover deals.

That, coupled with the fact that *some very powerful* personalities are running the companies involved in many bids, may have altered the relationship between the bank, the company and the PR.

"It can be difficult for a banker to restrain these egomaniacs," says one, "particularly with advertising campaigns."

A further twist has been given to the trend by many of the latest takeovers involving smaller companies bidding for larger ones. This has created new technical problems — for example, Morgan's controversial share buying was designed to keep huge sums off United's balance sheet.

It has also intensified the financial pressures for victory. In the bid for Distillers, Argyll and Guinness have broken with City convention and arranged their fee structures so that the underwriters of their offers get paid much more if the takeover succeeds than if it fails.

All this does not necessarily mean that the British self-regulatory takeover system is in mortal danger, but many are concerned about the trend and believe that matters might be improved by a vigorous show of force on the part of the Panel and Stock Exchange, possibly by singling individuals or firms out and making examples of them.

The issue has implications that go beyond takeover battles as such. There is a political dimension: in the wake of the Johnson Matthey and Lloyd's scandals, and concern about rocketing City salaries, the Square Mile could do without handing more ammunition to critics.

And closer to home, the more aggressive tactics of the takeover *specialists* could have a knock-on effect on City standards at a time when the entire framework is being placed under immense pressure by Big Bang.

"The City is based on a community of interests," said one senior regulatory official this week. "If the corporate financiers go around acting like bulls in a china shop, that is capable *of shaking the wider structure."*

The world economy

Why Gramm-Rudman misses the point

By John H. Makin

THE GRAMM-RUDMAN zero-deficit-by-1991 plan has caused the US to become increasingly preoccupied with its own problems at a time when the world economy needs its attention *more than ever. What will* become of President Reagan's defence build-up? Will he accede to higher taxes to sustain it? Will the Great Society be dismantled? These are all important questions, but they are no more important than continued expansion in a world economy that is short on new options and long on debt.

It is inappropriate for the world's largest economy to be so preoccupied with the effects of its own actions upon itself. The Gramm-Rudman prescription, constitutional or not, could produce some dangerous side-effects on the world economy. The fiscal engine *on* the American locomotive is being throttled down and the throttle lever is being locked on "slow" until 1991. Avoiding a global slowdown will require some offsetting stimulus from other G-5 countries. Each will want to fashion its own blend of measures designed to minimise the conflict between domestic and international policy goals.

The world economy cannot stand a combination of more rigid exchange rates, labelled as either target zones or a gold standard, and an American economy with a rigid contractionary fiscal policy. With America's fiscal policy set on a less expansionary path, the remaining degree of freedom to co-ordinate its policy would fall to the monetary authority. A tighter fiscal policy, as would be implied by conditions required to achieve Gramm-Rudman targets short of inflation or miracle growth, should result in gradually declining real interest rates and continued depreciation of the dollar, barring major policy changes abroad.

In any case, if the Federal Reserve tries too hard to offset lower spending with easy money, the dollar will collapse and interest rates will rise. The 1978-80 nightmare will be repeated. *The trading advantage* implicit in a strong dollar enjoyed by America's trading partners will continue to erode. It is worth considering how they might respond.

Were countries in the industrial world to try to preserve their competitive edge, provided that US monetary policy remains aimed at stable or falling inflation, they would pursue more expansionary *monetary policies* to attempt to redepreciate their currencies against the dollar. As a result, there arises the possibility that at some time during the next

A double temptation that the US should avoid

half decade, the US will face a double temptation to follow inflationary policies. One part of the temptation will be the usual levy of an inflationary tax on outstanding debt, of $250bn if now held by America's lenders in Japan, Europe, and the Middle East. The other will be the desire to maintain or restore a competitive advantage that comes from currency depreciation which in turn results from faster money growth.

The inflation temptation should be avoided. Global monetary expansion would risk a return to the destabilising conditions of the late 1970s where monetary assets were dumped and the rush for commodities led to the excesses that resulted in the debt crisis, the failure of many US banks heavily involved in energy loans, and extreme difficulties in the savings and loan and agriculture sectors today.

We ought by now to have learned a basic point about inflation. Without a willingness to keep accelerating it and move on to the hyper-inflationary chaos that characterised the Weimar Republic after World War I or many Latin American economies in the early 1980s, there are really no net benefits from starting down the inflationary road. There*fore*, it is worthwhile to anticipate the conditions under which inflationary policies may seem expedient and try to devise alternatives that will reduce the temptation to resort *to such measures.*

Gold or commodity standards have often been suggested, but as we saw in 1971, a gold standard which is not binding provides no discipline. Further restarting a gold standard at a premium price for gold can be very inflationary in itself.

It is also important to recognise that if fiscal policy constrained by the desire to achieve a zero deficit goal is accompanied by a move toward fixity of exchange rates, then monetary authorities will have to be essentially passive. A given set of exchange rates will require distribution of the quantity of moneys around the world roughly proportional to real growth rates. Faster-growing economies can have faster money growth, and slower-growing economies can have slower money growth. The temptation of slow-growing economies to employ faster money growth as a means to stimulate the economy or to relieve the burden of heavy government debts will require either similar policies in other countries or steady depreciation (inflation) of the currencies of the slower-growing economies.

The conclusion is that a combination of stringent targets for fiscal policy and exchange rate fixity reduces the discretion of the monetary authority at a time when more discretion may be desired. Exchange rate fixity therefore requires binding constraints on the separate actions of national monetary authorities. The history of international monetary arrangements since World War II and in fact during the three centuries when nations have jealously guarded the right to print their own money has been that nation-states simply will not abide by externally imposed constraints on the conduct of monetary policy.

A slowing world economy heavily burdened with debt needs more policy options, not fewer. When the heads of central banks and finance ministers come to Washington in April for the Bank-Fund Interim Committee meetings, they should broaden the Baker Plan initiative into a comprehensive programme of non-inflationary demand management worldwide. Tying themselves to exchange rate targets will only complicate the task and consume energies better directed at avoiding a world recession that would spell disaster for debtors and creditors alike.

The author is Director of Fiscal Policy Studies at the American Enterprise Institute, Washington.

Letters to the Editor

A social dividend

From Mr M. Slavin.

Sir,—I read in Lombard (March 10) about Professor Dore's "depressing but convincing" argument that, as the headline put it "Only the clever get to work" in future. The basic point seemed to be that more and more people will become insufficiently skilled to generate an income higher than the basic welfare provision felt necessary by society.

I want to pick up part of Professor Dore's solution, which you referred to as an "extreme" example: the provision of welfare payments to everyone, whether in work or not.

This seems to me to be a startlingly radical, but most effective, solution to the problem as stated. It separates the need for income (to survive) from the need to work (for dignity). If everyone had a basic income, as of right, then those not able to find work with enough income could still work for some extra income. This would be much the same as sections of the black economy now, but without the DHSS "snoopers." On the other hand, those earning high enough extra income could pay back the unnecessary "welfare" in taxation.

A particular attraction of this solution is that it would extend the role of the Inland Revenue, which is, by-and-large, good at its job, and curtail that of the DHSS, which is, by-and-large, *not*. The DHSS could revert to dealing with exceptional need, which it would manage better.

The in-phrase nowadays is "caring capitalism." The idea of a social wage has been around, in one form or another, for many years: the idea of a social dividend is rather newer. The payments could be made directly from the profits of industry. This is only a matter of how the Treasury keeps the books. If it developed into a proportion of profits, it would make for universal interest in the profitability of industry.

Michael V. Slavin,
30 Greenholm Road, SE9.

The butt of all criticism

From Mr A. Elliott

Sir,—Not many teachers take the Financial Times: their income tells against the habit. The two pieces applauding Sir Keith's long-term and "radical" aims (March 3) deserve comment by one. Will I do — after 30 years in both independent and local authority schools?

The general impression conveyed was, that education should consist of training for jobs to increase or maintain material prosperity, and that it fails to do so; that technology, numeracy and literacy, and decent behaviour are all (en masse) ignored or belittled by teachers in favour of an approach which is at the same time over-academic and arrogantly moralistic; and that if parents on the one hand, and wise central government on the other, bring the pincer movement of their right thinking (apparently unanimous) to bear on naive teachers, all may yet be well.

Teachers are now the butt of all criticism levelled by a society which cannot find the answers to its probems, in its homes or in the economy. We are browbeaten, depressed and down-graded. But we still try to help children to think. The two writers perpetuate a dozen myths which, sadly, will be believed, and at the same time use staggeringly self-contradictory arguments and brash assumptions which no sixth former would dare to employ in an essay for a respectable teacher. They would force Socrates into early retirement, to save on hemlock.

A. F. Elliott.
Mill House,
Felin Crai, Brecon, Powys.

Views on public relations

From the Chairman, Extel Consultancy

Sir,—Curious. After being quoted in David Churchill's article on the performance of public relations consultancies (Management Page, February 27) I had two kinds of phone call. The first, mostly from incensed PR practitioners, claimed that PR has never been healthier, executives never cleverer, and clients never more contented. Everything that needed to be done to maintain standards was being done and what was I doing to rock the boat? The other, mostly—though not entirely—from users said something like: "At last, someone's put into words what a lot of us have been concerned about. It needed to be said."

I endorse, with the greatest enthusiasm, Antony Snow's determination to make standards "rise at a time of increasing demand" (March 6). Hence my readiness to comment on what I judged to be a hazard we communicators should identify and eradicate without delay.

I too am helping to create "thoughtful and practical programmes"; building specialist groups ("cellular teams" if you must): hiring graduate trainees; employing more efficient training methods; and recruiting from the professions. A lot of people aren't. . . .

Interestingly, my quotes first appeared in an article I wrote for the newsletter of the Public Relations Consultants' Association. On that occasion, I had only expressions of support and approval. It seems then that it might be the medium not the message that stirred so much wrath.

I would have thought the larger and more influential readership of the FT might have responded very positively to signs that the public relations business was not complacent about its current bullish situation and was continuing to make determined efforts to further improve its increasingly essential services.

Frank Barnard.
4 Bouverie Street, EC4.

Looking at the map

From the Managing Director, Metal Bulletin

Sir,—W. N. Green (March 4) is reading the wrong map. The roots of the debate as to whether manufacturing in the UK is really necessary lie a lot further south than Watford as well as a lot further east than Greenwich.

T. J. Tarring.
Park House,
Park Terrace,
Worcester Park, Surrey.

The sale of seven nationalised industries

From Dr C. Veljanovski

Sir,—Dr McDonald's calculation ("How the taxpayer has lost out" February 26) purport to show that the taxpayer has lost almost £1.5bn from the sale of nationalised industries. The basis for her calculations are unacceptable for several reasons. The scale of undervaluation of shares cannot be measured by comparing the difference between share prices today and *the increase in the* FT Index and the issue price. It must be measured by what could have been obtained at the time of flotation taking into account market conditions and the performance of the company.

Nonetheless Dr McDonald's calculation could well measure the loss to the taxpayer but not in the way she would wish. The better performance of these companies after privatisation may not reflect the fact that the shares were initially underpriced but that the profitability and efficiency of these companies have increased dramatically and as a direct result of being privatised. If this interpretation is correct then the money that she regards as a loss to the Treasury was simply *not in existence at the time* these companies were floated. But she is quite correct in arguing that they measure a loss to the taxpayer. If these gains are due to better management and efficiency brought about as a direct result of privatisation then the taxpayer as an implicit shareholder of these companies when they were nationalised *was losing a considerable* amount of money. The loss that Dr McDonald has in fact estimated is the inefficiencies of the nationalised industries which have been transformed into profits by privatisation.

Even though Dr McDonald's analysis is deeply flawed it does not mean that public assets were not undervalued. Her calculations combine the joint effects of improved efficiency due to privatisation and undervaluation. But in interpreting the evidence several points must be borne in mind. Shares issued by the fixed price method for private companies usually sell at a substantial premium when they come on the market. So the real extent of the undervaluation of public assets is the difference between this premium and the actual premium at the time of flotation. The Government's desire to spread share ownership by favouring the small shareholder means that the shares will have to be underpriced to encourage the individual investor. The wider the shareownership, the less it can be argued that there is *a net loss* to the average taxpayer. This point applies with equal force to the institutions which Dr McDonald seems to have little time for. Pension funds and insurance companies invest on *behalf of an extremely* large number of taxpayers. So the net redistributive effects are not as severe as the calculations state even if we accept that they measure a loss in some real sense.

In short Dr McDonald presents us with a confused piece of statistical evaluation which if correct implies the opposite of *what she is arguing*. That if her calculations measure a real loss it is the loss of nationalisation not privatisation. If the shares have been underpriced to encourage wider shareownership then the average taxpayer may have suffered very little net loss relative to the scheme which would have maximised the Treasury's revenue.

(Dr) Cento Veljanovski,
University College, London,
Bentham House,
Endsleigh Gardens, WC1.

FINANCIAL TIMES
Wednesday March 12 1986

Decision to limit Soviet presence reflects conservative American distrust of UN organisation

Soviet UN overstaffing 'threatens US'

THE REAGAN Administration's demand that the Soviet Union reduce its staff at the United Nations by 100 has drawn an angry response from Moscow, coupled with a warning that the move could jeopardise the planned US summit meeting, writes our United Nations correspondent.

But the US demand has struck a chord with conservative Americans who regard the UN as a costly and alien presence they could do without.

Britain, generally considered to be among the best informed and more effective members of the United Nations, manages with a complement of two ambassadors, six counsellors and about a dozen lesser officials. The United States, whose UN performance has produced mixed results, has 68 diplomats, according to the latest official UN list.

But the Soviet Union has no fewer than 114 delegates listed in the UN "blue book," to which must be added 11 delegates from the Ukraine and nine from Byelorussia, the Soviet Republics that were allowed separate membership under a 1945 agreement.

The US, citing an actual Soviet total of 275 "permanently assigned personnel" in the three missions, says this is "unreasonably large," unwarranted by UN business, and, more importantly, that "it poses a threat to US national security." The Reagan Administration has told the Russians to reduce their staff to a maximum of 170 by April 1, 1988.

Mr Richard Hottelet, the US spokesman at the UN, explained that the discrepancy in numbers resulted from the fact that personnel not included in the blue book must be taken into account. These might include attaches and drivers, cleaners and messengers performing "extracurricular" functions.

According to one Western diplomat, some Soviet delegates doing a straightforward diplomatic job have already remarked privately that they may be the ones returned to Moscow as a result of the American edict, while seemingly lowly colleagues on the intelligence side could be retained.

The US authorities do not allege that all Soviet personnel are political spies – UN activities cover a broad field and Moscow evidently believes it necessary to employ many specialists for its diplomatic chores, which include frequent liaison and lobbying with representatives of member states with which it has relations.

Including ancillary personnel, the US has 126 people in its UN mission, but, as the Soviet government has pointed out, Washington is only a couple of hundred miles away, so a comparison with the much larger Soviet staff may not be entirely valid. Still, China manages with a complement of 116 and Chinese diplomats at the UN are probably no less busy than their Soviet counterparts.

Last week's American move was no great surprise. But for the fact of the summit meeting between President Reagan and Mr Mikhail Gorbachev last November it might have happened much earlier. "Obviously, we didn't want to do anything then to rock the boat," a US official said.

Mr Hottelet said Soviet representation had doubled in the past 20 years. "It just grew," he said. The US statement had mentioned "inappropriate activities ... including espionage" by Soviet officials, but he said he was not aware of any recent incident that might have prompted the Administration's action.

The Federal Bureau of Investigation does not always go public when it has evidence against a Soviet citizen attached to the UN, he said, and several Soviet diplomats have been declared persona non grata and whisked off to Moscow without fanfare over the years. Asked how the FBI and other government agencies keep track of so many Russians, Mr Hottelet said, "we just have to assign that many spooks. Obviously it involves a lot of expense. The Russians are great ballet fanciers, for instance. They run around a lot. It is very difficult."

On orders from the State Department, Soviet delegates are confined to a radius of 25 miles from Columbus Circle, the heart of Manhattan. Still, they may travel widely so long as they notify the US authorities 48 hours in advance of their proposed itinerary. Permission for such travel is required only in the case of visits to what Mr Hottelet called "closed areas" – places that are sensitive militarily. Diplomats from Eastern European allies are under no restrictions.

According to UN authorities, the Headquarters Agreement, under which the US gave the UN a measure of extra-territoriality when it set up house in New York – in large part, because of Soviet wishes – makes no stipulation about the size of diplomatic missions. Because of this ambiguity, Secretary General Javier Perez de Cuellar has asked his legal counsel, Mr Carl-August Fleischhauer of West Germany, to prepare a memorandum on the legal implications. The US alone, however, has the power to issue visas.

Mr François Giuliani, the Secretary General's spokesman, declined to comment on what he termed "this very delicate matter" beyond saying that it was an issue mainly between the US and the Soviet Union. However, there is no doubt that the unprecedented US action is a cause for deep concern in Mr Perez de Cuellar's office, since it offers new evidence of the sharp divisions between Washington and Moscow that the UN would like to bridge.

Furthermore, linking the Soviet union and the UN to espionage offers new fuel for a large body of American opinion already deeply sceptical about the organisation, which many US conservatives regard as an irksome element at best and, at worst, a too costly and even hostile presence on their soil.

"Red spies in the UN" is a headline that has appeared in the American tabloid press with embarrassing monotony. Only last month, the Heritage Foundation, a Washington think tank that has set its sights on the UN in a continuing "assessment project," called the organisation's Dag Hammarskjold library a "Soviet outpost" and "a triumph of Orwellian newspeak."

Since 1964, the head of this library has been a Soviet national and there have been reports that spies found it a convenient place for exchanging information. The point was made by none other than former UN under secretary general Arkady Shevchenko, the highest ranking Soviet defector to the West.

Moscow summit warning, Page 4

THE LEX COLUMN

Biscuits today, jam tomorrow

There is a not altogether comforting familiarity about the 1985 results of United Biscuits, which will give UB's own shareholders plenty to chew on before they decide next week on the wisdom of allowing their management to push ahead with its offer for Imperial.

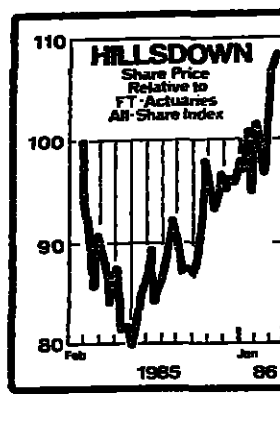
As usual, UB has demonstrated that it has the capacity to absorb cash in the cause of expansion. Cookie market share has been strenuously won in the US, costs have been taken out of the biscuit business on both sides of the Atlantic, and UK fast-food has started to produce more visible returns.

Beyond market share, UB has consistently pursued pre-tax profit, which has emerged respectably in the forecast region, 17 per cent higher at £102.2m.

UB has also sunk a certain amount of capital in maintaining its credentials as a tough production company. Apart from the prolonged expense of the soft-cookie promotional war – where UB's Keebler has come off well, though in what has proved a disappointingly small market – UB has had to stand the cost of closing Keebler's Philadelphia plant.

Taking one thing with another, and allowing for Philadelphia below the line, the virtues of UB have not extended this year to an increase in earnings per share.

It is early days after the last UB rights issue to overcome dilution, no doubt. But as a model for UB's post-imperial future – following the issue of a great deal more equity – these figures are not as fortunate as they might be.



Hillsdown

It took Hillsdown Holdings' share price almost all of last year to regain the premium achieved in its first day of trading, but yesterday's figures for 1985 fulfilled that early promise. Profits before tax were up 77 per cent to £33.4m and the increase survived to raise per-share earnings by nearly half on the strength of bought-in tax shelter.

The City of London now knows what Hillsdown is up to in eggs and stationery and is willing to accord it a premium rating despite the commodity origins of the best part of three-quarters of Hillsdown's profit.

The management's skill in buying devastated businesses and squeezing a small margin out of them is clear enough from these figures, and given that almost two dozen acquisitions added a mere £4m to 1985 profits, Hillsdown could make £40m and more this year just from taking out some human and animal cost.

Equally, Hillsdown has managed to add supermarket value – in the form of butter and breadcrumbs – to what was once a pure commodity poultry operation, even if the red meat business is proving less tractable to packaging.

However, unless more tax-shelter is erected in the right places, this year's earnings growth will be much less robust. On prospective earnings, Hillsdown – at 242p, up 4p – stands on the confident price/earnings multiple of 14. Of course, Hillsdown might make its big acquisition, but with the collapse of the tin rescue raising new questions about S & W Berisford's balance sheet, Hillsdown must be having second or third thoughts about digging through Berisford to British Sugar or the Ranks Hovis stake beyond.

Bond markets

A set of UK money figures provisionally free of distortion, a rarity in itself, might be expected to show what is really happening in that part of the economic forest. But ungrateful economists hanker for a trend and stockbrokers had perhaps forecast the numbers for banking February too well for the markets to pay much attention to them.

Not the least preoccupation is the size of the rise the bond markets have already enjoyed and a general feeling that consolidation is in order. Only a couple of UK issues still yield more than 10 per cent, while the US long bond which has helped to pull the gilt-edged market up now returns under 8 per cent.

Though gilts have so far missed out on the rate reductions other bond markets have seen, a base rate cut is still expected on or soon after budget day next Tuesday and discounted.

The Bank of England's technical operations in the money markets have been interpreted as clear signals that a cut would not be welcome just yet. When it comes it may only be a half point fall, not the hoped for one point move.

Before that can happen this weekend's Opec meeting must be negotiated without any harm coming to the sterling exchange rate and the budget speech must be written and delivered. Those two trials and their effect on the fight against inflation matter more to the gilt-edged market than even a clean set of provisional estimates of monetary aggregates.

Vickers Shipbuilding

Spare a thought for poor Trafalgar House. Last year, when Westland was but a small mechanical engineer on the verge of collapse, Trafalgar took a look at Vickers Shipbuilding at the Government's invitation. This year, with Westland a by-word for industrial-political embarrassment, Trafalgar has lost the competition for Vickers despite tendering what looks like a higher bid.

As with anything to do with nationalised industries the sums can add up in different ways. It seems that Trafalgar bid just over £80m down for the two yards with up to £10m to come when the contracts for the Trident boats are signed.

The employee consortium bid £60m down with a £40m deferred consideration to come in the 1990s if the corporate plan is met: at best, a little over £80m down on a discounted basis.

The consortium did promise in its prospectus yesterday to spend some £92m to complete a shed to cover the Trident boats. This is presumably what the Ministry of Defence wants and may be as much worth the difference as the political benefits of share ownership in Barrow and Birkenhead.

As the Government is waiving £290m in overdraft and dividend capital for just £60m in cash, the consortium's balance-sheet is shipshape enough. On the new funding basis, interest cover is comfortable and provided the MoD permits a heavy workload to be transformed into profit the flotation in the summer should be a success.

Setback for UK financial reforms

By Nick Bunker in London

THE UK Government is running into fresh political difficulties over the Financial Services Bill following a refusal yesterday by Mr Michael Howard, the Corporate and Consumer Affairs Minister to consider recognising the Securities and Investments Board in the bill.

His statement angered opposition Labour MPs and has increased the chances of further Conservative backbench pressure aimed at securing explicit statutory authority for the SIB, which is expected to become the central supervisory body in the Government's proposed investor protection regime.

Mr Howard told MPs on the House of Commons standing committee considering the bill that it was his "clear duty" to seek to delete during the report stage an amendment passed last Thursday which names the SIB. The amendment was carried by one vote after Mr Anthony Nelson, the conservative MP who proposed it, and Mr Tim Smith, also Conservative, sided with the opposition.

At a private meeting on Monday night, the two backbenchers failed to persuade Mr Howard to accept the amendment. They believe that statutory recognition for the SIB is essential if it is to be effective and respected by the public and the financial institutions. The Government argues that Mr Nelson's amendment has damaged the bill by limiting its discretion about delegating regulatory powers to the SIB.

Mr Smith has now proposed an amendment which would add to the bill a new schedule which also names the SIB and defines its constitution and membership and specifies arrangements for appointing *staff and financing itself through* overdrafts repaid out of fees charged to investment businesses.

The amendment's wording is partly copied from the sections of the Local Government Finance Act of 1982, which set up the Audit Commission, the independent body which audits local authority accounts and conducts local government value-for-money reviews.

Opposition MPs plan to support the amendment, which, if passed, would make it more difficult for the Government to resist cross-party pressure for statutory recognition of the SIB.

French construction group suffers FFr 1.75bn losses

BY PAUL BETTS IN PARIS

SCREG, France's second largest construction group, suffered a higher loss than expected, of FFr 1.75bn ($250m), last year, plunging the company's net worth into a deficit of FFr 858m.

Originally the company, which reported a loss of only FFr 8.9m in 1984, was expected to lose FFr 300m last year. But the estimated losses steadily increased, first to FFr 700m and then to FFr 1.4bn in January.

The latest figures, showing the full extent of the losses incurred because of a combination of management errors and the recession in the construction business, were disclosed yesterday in an audit of the company commissioned by Bouygues, France's largest construction group, which now envisages taking control of its rival.

Bouygues has already acquired a 9 per cent stake in Screg from the Belgian Petrofina oil company and has an option to buy a further 17 per cent from Petrofina by the end of June.

If Bouygues decides to exercise that option, it will become the single largest shareholder of Screg, with effective control of the company. It will also increase Bouygues's size by adding Screg's FFr 22bn-a-year sales to current Bouygues annual turnover of FFr 26bn.

The Screg audit showing the FFr 1.75bn losses last year did not include restructuring costs totalling at least FFr 300m, which will have to be borne in coming months, according to the report by the French auditors Cabinet Barbier.

Among Screg's most troubled subsidiaries is its large Dragages et Travaux Publics unit, which lost, says the audit, FFr 729m last year. Screg Routes, the road construction unit, lost FFr 323m, while another subsidiary, SMAC, had a deficit of FFr 213m last year.

The group's Versailles real-estate subsidiary in Texas lost FFr 318m last year.

Bouygues now wants to put together a recovery plan for Screg with banks; Coface, the French export credit agency; other financial institutions; Screg shareholders; and the French Government.

The plan aims to return the troubled subsidiaries of Screg to a positive net worth position and to enable Screg to continue its dredging business. However, it also envisages the winding down of the Texas real-estate operation.

Bouygues, which recently reported consolidated profits of FFr 440m for 1985, has been actively seeking to expand and diversify its operations. The eventual takeover of Screg would turn Bouygues into one of the top three private groups in France with annual sales of more than FFr 45bn.

EEC may ease MFA controls

By Paul Cheeseright in Brussels

THE European Community is prepared to permit developing countries slightly easier market access for their textiles and clothing.

Trade ministers yesterday settled a detailed mandate on which the European Commission will negotiate a renewal of the MultiFibre Arrangement (MFA), which controls the great part of world textile and clothing trade between developing and developed countries.

The present MFA expires at the end of July. Detailed international negotiations for a fresh pact start in Geneva early next month.

The Community position, as it emerged from the Brussels talks, is slightly more liberal than that adopted in the last round of negotiations in 1982. It is being presented as the first stage in the gradual return of textiles to the normal rules of the General Agreement on Tariffs and Trade (Gatt).

It is likely now that the Community will find itself somewhere in *the middle between the demands of* the developing countries for much more liberalisation and the expected restrictive position of the US. The Reagan Administration has not yet defined its stand.

"The mandate meets UK aims of a renewal of the present MFA, continuing to give considerable protection for the most sensitive areas of our textile and clothing industries, and market liberalisation in certain selected areas," said Mr Alan Clark, the UK Trade Minister.

Ministers decided to allow greater access, above 1986 levels, to the Community market at the rate of:

- Up to 1 per cent for the so-called dominant suppliers – Hong Kong, Macao, South Korea, Taiwan;
- Up to between 4 and 6 per cent for other developing countries;
- Up to 7 per cent for the poorest countries or new suppliers.

The Community will also offer greater flexibility in the way quotas are administered. Where they are unused in one part of the Community market, they can be transferred to another, provided no more than 12 per cent of the trade is affected.

Big UK companies hit by high incidence of employee fraud

BY CLIVE WOLMAN IN LONDON

ABOUT 40 per cent of large UK companies have suffered at least one fraud of more than £50,000 ($73,000) over the last 10 years, a Government-sponsored survey into commercial fraud suggests.

The survey, published yesterday, is based on questionnaires and interviews carried out last September with the senior executives of a sample of 56 companies from the 740 which are included in the FT-Actuaries All Share Index.

In 74 per cent of the frauds that companies reported to the police the offenders were employees, occasionally in collusion with outsiders. In nearly 30 per cent of frauds the offender was a manager and in 10 per cent of cases a director or partner. An accounts official was responsible in 19 per cent of cases.

The most common form of fraud, accounting for 24 per cent of the total, involved the use of cheques and credit cards. Embezzlement and expenses frauds formed the second most widespread category.

None of the frauds was detected by external auditors, who are being given specific responsibilities for tracking down and reporting fraud in financial service companies to the regulatory authorities. Several respondents were scathing about their auditors' lack of understanding of their businesses.

One former internal accountant in a leisure company is reported as saying: "We used to run rings around the auditors. We would give them the absolute minimum of co-operation and this would mean that they spent an enormous amount of time checking basic data."

The study was sponsored by the Home Office, the Police Foundation and the accountancy firm, Arthur Young. The research was carried out by Dr Michael Levi, a criminologist at University College, Cardiff, and Mr James Morgan, a senior partner of Arthur Young.

US to act on counterfeiting

BY NANCY DUNNE IN WASHINGTON

THE REAGAN Administration will soon propose new legislation to strengthen protection of intellectual property rights – patents, copyrights and trademarks – because counterfeiting and piracy are now costing US business an estimated $8bn to $20bn a year.

Speaking before a House banking sub-committee yesterday Mr Malcolm Baldrige, the US Commerce Secretary, said the Administration was also hoping to improve business competitiveness by offering a third form of relief for import-battered industries, besides tariffs and quotas – an easing of merger laws within damaged sectors.

Although the US had a long way to go before turning the trade deficit around, said Mr Baldrige, "the month-to-month trend will be headed down by the end of 1986."

Mr Baldrige made a pitch for his recent proposals easing American anti-trust laws, stressing that mergers within and industry eliminated duplicative efforts and streamlined costs.

Manila debt talks open

Continued from Page 1

tranches of $230m of the existing facility should be released.

The release of the $230m from the IMF would trigger the disbursement of the final instalment from the "new money" package from the commercial banks totalling $350m.

Mr Ongpin is expected to press the IMF for easier terms both on the existing facility and any subsequent agreement. Mrs Aquino's Government feels that, with the end of Mr Marcos's autocratic rule, confidence in the Philippines will be restored and the IMF and the country's other creditors should rally to its support by being more lenient.

Parallels are being drawn by some of Mrs Aquino's officials between the end of the Marcos era and the fall of the military dictatorship in Argentina after the Falklands war. Unlike Argentina, however, Mrs Aquino's Government accepts that it has no choice but to deal with the IMF on its own terms.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	13	55	Dubrovnik	S	16	61	Malta	S	16	61	Rhodes	S	18	64
Algiers	T	10	50	Edinburgh	F	9	48	Manchester	C	9	48	Rio de J'o	C	34	93
Amsterdam	C	1	34	Faro	S	15	59	Manila	S	35	95	Rome	C	14	57
Athens	F	14	57	Florence	C	16	61	Melbourne	F	19	66	Salzburg	C	4	39
Bahrain	S	22	72	Frankfurt	C	4	39	Mexico City	S	25	77	San Francisco	R	14	58
Bangkok	S	33	91	Funchal	S	18	64	Miami	C	27	81	Seoul	S	5	41
Barcelona	—	—	—	Geneva	S	7	45	Milan	C	14	57	Singapore	F	29	84
Beirut	S	22	72	Gibraltar	S	18	64	Montreal	R	5	41	Stockholm	C	0	32
Belfast	R	7	45	Glasgow	C	7	45	Moscow	C	1	34	Strasbourg	C	1	34
Belgrade	C	6	43	Guernsey	C	8	46	Munich	C	2	36	Sydney	C	20	68
Berlin	C	2	36	Helsinki	C	-2	28	Nairobi	F	28	82	Taipei	F	18	64
Biarritz	F	11	52	H. Kong	S	22	72	Naples	C	19	66	Tangier	S	17	63
Bombay	S	32	90	Innsbruck	S	9	48	Nassau	C	26	80	Tel Aviv	S	29	88
Bordeaux	C	11	52	Inverness	R	8	46	New Delhi	S	30	86	Tenerife	C	19	66
Brussels	S	6	43	Islamabad	C	25	77	New York	C	16	60	Tokyo	R	8	46
Budapest	C	5	41	Istanbul	C	6	43	Nice	C	14	57	Toronto	R	5	41
B. Aires	S	27	81	Jakarta	R	31	88	Nicosia	S	22	71	Tunis	F	15	59
Cairo	S	23	73	Jersey	C	8	46	Oporto	S	12	54	Valencia	—	—	—
Cape Town	S	24	75	Jo'burg	F	25	77	Oslo	C	1	34	Venice	S	13	55
Caracas	S	27	81	Las Pims	S	26	79	Paris	C	6	43	Vienna	F	5	41
Casablanca	C	16	61	Lisbon	S	13	55	Peking	F	15	59	Warsaw	C	3	37
Chicago	F	6	42	London	C	8	46	Prague	Fg	4	39	Washington	—	—	—
Cologne	C	6	43	Los Angeles	C	17	62	Reykjavik	F	1	34	Zurich	C	2	36
Copenhagen	C	1	34	Luxembourg	C	3	37								
Corfu	T	13	55	Madrid	F	15	59								
Dallas	—	—	—	Majorca	—	—	—								
Dublin	C	7	45	Malaga	—	—	—								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

EEC warning on need for new budget cuts

Continued from Page 1

ceiling of 1.4 per cent, instead of the former limit of 1 per cent. The contributions amount to that percentage of retail sales of a given basket of goods and services in each member state, and represent the maximum available, on top of customs duties and levies.

On Monday, several finance and budget ministers insisted that no new increase in the ceiling could be contemplated yet – which suggests that spending cuts will be the only option.

Mr Christophersen, himself a former finance minister in Denmark, rejected accusations that the European Commission was responsible for drawing up too many spending programmes. He said the overspending was a result of past policy decisions by the Council of Ministers and the European Parliament, and of external factors such as the fall of the dollar.

The Commission's recent outline for a five-year research programme costing some Ecu 10.35bn – attacked by Mr Gerhard Stoltenberg, the German Finance Minister – was a direct response to the call by EEC leaders for a greater research effort in the community, he said.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday March 12 1986

US brokers announce corporate insurance plan

BY TERRY DODSWORTH IN NEW YORK

TWO of the leading insurance brokers in the US plan to tackle the critical shortage in corporate liability coverage by bringing together an underwriting syndicate backed by some of the country's leading property and casualty companies.

The project has already received the backing of Aetna, the largest quoted US insurance group. Several other property and casualty companies, including Cigna, Travelers and Chubb, have confirmed that they are also considering membership.

"We have a target date to start providing coverage with the new plan by May 1," said Mr Robert Newhouse, chairman of the broking subsidiary of Marsh & McLennan, the biggest insurance broker in the US.

Marsh has come together with Johnson & Higgins, the privately owned broking group, to try to form the syndicate, which would offer cover for claims of over $25m and up to $100m.

Companies looking for insurance in this part of the market are faced with widespread shortages and what Mr Newhouse called "chaotic" policy terms and conditions.

Underlying the new company would be the concept of "slip" underwriting, uncommon in the US although widely used in the London market. All underwriting for the participating insurance companies in the syndicate would be undertaken by a central organisation on their behalf.

This co-ordinating body would settle and adjust claims, with each participating organisation being responsible for a set proportion of claims and premiums. Disputes between policy-holders and insurers, an area which attracts considerable litigation, would be settled by arbitration.

Mr Newhouse and Mr Richard Meyer, senior vice president of Johnson & Higgins, listed four main advantages

First, the syndicate would offer clients a common form for all their cover between $25m and $100m. At present, customers are buying insurance in this part of the market from different insurers, all of whom are writing it under different terms.

Second, the multiple "layering" of policies will be eliminated. Under the layering system, companies buy insurance in chunks, with cover being provided at different prices by companies that accept a proportion of the risk in a certain band of liability

Layering creates problems in the event of claims, with disputes between insurers, some of which are resolved only by litigation. In the new scheme, there would be only one layer of risk – for $75m of claims in excess of $25m.

Third, the availability of the new policy would bring back stability to a market striken by the disappearance of many policy-writers and the insurers who depended on them. Customers would be attracted by the financial stability of the insurance companies backing the scheme, Mr Newhouse said.

Fourth, the common claims procedure should remove the muddle that exists under the layering structure, where there is scope for unlimited argument between the insurance companies, their clients and their respective lawyers.

Mr Newhouse did not give a precise estimate of the likely premiums to be offered for the new policies, saying that they would range widely from $100,000 to several millions for the $75m of cover depending on the business being insured.

However, he said he believed there were more than 1,000 companies operating in the US that would be interested in the scheme, among them several overseas businesses, whose potential liabilities tended to fall within the range of cover being offered.

For the insurance companies, the attraction of the proposed new policy would be the standardisation of cover.

El-Sayed debt was guaranteed by Volvo

By Kevin Done, Nordic Correspondent, in Stockholm

VOLVO admitted yesterday that it had agreed to act as guarantor for part of the personal debts accumulated by Mr Refaat El-Sayed during the collapse of the ambitious co-operation pact planned between Volvo and Fermenta, the troubled Swedish biotechnology and fine chemicals group of which Mr El-Sayed is majority shareholder.

Volvo pulled out of the deal – which was to have given Fermenta the leading position in the Swedish pharmaceuticals and biotechnology industry – in the middle of the turmoil that followed Mr El-Sayed's disclosures that he had lied to investors about his academic credentials.

In the middle of February Mr El-Sayed was forced to admit that his claim to a doctorate in microbiology was false. In the resulting crisis of confidence the company's share price plunged, wiping out more than half its market valuation.

The stock exchange suspended trading in Fermenta shares for nearly two weeks and only allowed dealing to be resumed last week when it had received a full, audited account of Mr El-Sayed's personal financial position.

This showed that Mr El-Sayed had personal debts of SKr 1.45bn ($20m) against which he had liquid assets of SKr 146m plus a holding of 16.5m shares in Fermenta.

Yesterday it was revealed that Volvo had guaranteed about SKr 250m of a SKr 500m loan granted to Mr El-Sayed by Gotabanken to finance part of his recent purchases of more than 4m Fermenta shares.

Mr Ulf Linden, deputy managing director of Volvo who negotiated Volvo's withdrawal from the planned co-operation pact with Fermenta, said yesterday that Volvo had wanted a "strong Fermenta" to emerge from the crisis. Without the guarantee there had been a risk that Mr El-Sayed would have been forced to sell out a considerable part of his Fermenta holding to meet his debt obligations.

Since trading was resumed last Thursday the Fermenta share price has continued to fall

Ann Charters on industry's problems following Brazil's economic reforms

Businesses struggle to adjust

SUPPLY PROBLEMS and price disputes have already erupted in some sectors of Brazilian industry as the dust begins to settle on last month's economic and monetary reform package.

Brazilian business, while generally optimistic that the package has a fighting chance to halt the country's exploding inflation rate, is still reeling from the changes, on which clarification is expected in a few days.

Pricing and payment terms are proving to be the most contentious area so far. Until February 28 companies worked on the assumption that inflation during the year would reach between 300 and 400 per cent, perhaps higher. But with the government decree that inflation was to be zero for March (all prices were frozen from February 27), companies' plans proved useless.

While President José Sarney enlisted citizens as price inspectors to denounce illegal rises in retail prices for nearly 300 food, personal hygiene and cleaning products, manufacturers were left to negotiate with their suppliers.

Before the reform, supplier financing in price-controlled industries had government blessing to include a 7 per cent financing charge for payment terms of 30 days, or 14 per cent for payment in 60 days.

But now manufacturers are pushing for not only more realistic financing charges of 1.5 per cent a month but also a discount for cash payment. They say prices frozen last month already had a built-in inflation factor of about 15 per cent that should be discounted.

Rather than give in, some suppliers, particularly in the vehicle parts industry, have suspended deliveries. Mercedes Benz, Brazil's largest buses and trucks maker, suspended operations in some areas with employees taking mandatory vacations because of lack of parts.

The owner of an auto parts company described the impasse as a matter of survival for some companies. "If a company didn't have its receivables balanced with payables going into the freeze, it's in trouble."

According to the decree that created Brazil's new currency, the cruzado, all bills and receivables due over the next 12 months are to be converted at the prevailing daily rate for cruzeiros to cruzados, as fixed on the day the economic plan went into effect, regardless of the maturity date.

Unable to pass on costs from expensive credit terms or prices that in effect increase – if the devalued cruzeiro is not used for converting to cruzados – manufacturers are faced with either absorbing the cost rises or suspending production if agreements cannot be reached with suppliers.

On prices, difficulties vary, depending on the industrial sector. Before the reform measures companies were allowed price increases every few months, so those companies which had just received increases had more of a cushion going into the price freeze than those which had their last price rise months earlier.

Another problem is the new wage indexation system, giving workers automatic rises if prices increase by 20 per cent. An immediate bonus for some employees and an overnight jump in the minimum monthly wage from the equivalent of 600,000 cruzeiros (US$43.48) to 800 cruzados (US$57.97) hits some companies harder than others.

Throughout last week companies in various industries met to analyse the effects within their sectors, and government offices have been swamped with queries.

On the positive side, company financial directors have at least seen their cost of borrowings decline with the elimination of monetary correction for inflation on outstanding loan balances. Now, they have to contend with real rates of interest running at mid to high 20 per cent annually and can enjoy the luxury of carrying cash in a demand deposit without it deteriorating in value overnight.

Of course, what is good for the companies has squeezed some financial institutions that previously made big profits from funds invested in high-yielding government securities. Before the economic reform, it was common to earn 15 per cent a month, plus monetary correction for inflation on overnight deposits in financial markets. This gave an annual yield of 260 to 280 per cent.

To capture these funds banks built large branch networks and installed sophisticated computer systems. Now these investments will have to be re-examined.

On the export side, the fixed exchange of 13.8 cruzados to US$1 has added an uncertainty factor to export programmes. Because the exchange rate cannot remain fixed indefinitely without compromising Brazil's export competitiveness, there is bound to be speculation as to when devaluations will occur.

If the economic measures work for the next two or three months, many companies believe the Government will have succeeded in encouraging production rather than speculation. The question of whether increased investments in new plant and equipment will be forthcoming can only be answered months from now.

NordLB lifts earnings 13.6% and again maintains dividend

BY JOHN DAVIES IN FRANKFURT

NORDDEUTSCHE Landesbank (NordLB), one of the largest of West Germany's regional publicly owned banks, increased its operating earnings last year and is maintaining its dividend.

Operating profit of the Hanover parent bank, including earnings from its own trading activities, rose 13.6 per cent to DM 395.6m ($179m). The group, including Luxembourg operations, the Bremer Landesbank and home-building savings banks, showed a similar increase in operating profit to DM 719m.

For the third year in succession, NordLB is paying a 4 per cent dividend to its shareholders – the state government of Lower Saxony (60 per cent) and local savings banks (40 per cent).

The parent bank lifted its risk provisions to DM 210m from DM 157m in 1984 and also boosted its financial reserves. The Luxembourg subsidiary increased its earnings to DM 72m from DM 61m, again setting aside the full sum for possible international risks.

Under Dr Bernd Thiemann as chief executive, NordLB has been pursuing a course of steady expansion, closely linked to the needs of the Lower Saxony region and of its savings banks. While political controversy has arisen over problems at some West German Landesbanks in recent years, NordLB has been anxious to put strong emphasis on profitability and continuity of dividend payments.

The state government and savings banks recently agreed to add to NordLB's financial resources by taking up an issue of profit-sharing certificates totalling DM 134m. Dr Thiemann said this was an important step towards covering NordLB's medium-term capital needs of about DM 300m.

The parent bank's assets grew last year by 4.9 per cent to DM 63bn while group assets were up 5 per cent at DM 92.6bn.

NordLB has responded to strong competition among West German banks by introducing a flat fee of DM 3 a month for private customers' giro accounts, irrespective of the number of transactions.

Dr Thiemann said customers were becoming more and more sensitive to bank fees and wanted a simple system. Customers should be encouraged to use the full range of bank services rather than be penalised for doing so.

Olsen trebles pre-tax profits

BY FAY GJESTER IN OSLO

NORWAY'S Fred Olsen shipping group more than trebled pre-tax profits by its three stock exchange listed companies last year to a total of NKr 612m ($85m) from NKr 178m a year earlier.

Shareholders in each of the three are getting a one-for-one scrip issue and unchanged 20 per cent dividend.

Last year's improvement reflected substantial profits on share trading by each of the three companies. Profits before extraordinary items were in each case sharply down on a year earlier as forecast.

Details were:

- Bonhur – profits before extraordinary items NKr 4m (NKr 17m in 1984); profits before tax and end-year allocations NKr 110m (NKr 62m). Share dealings contributed NKr 83m to the 1985 figure.
- Borga – profits before extraordinary items NKr 2m (NKr 7m); profits before tax and end-year allocations NKr 196m (NKr 22m). Share dealings contributed NKr 185m.
- Ganger Rolf – profits before extraordinary items NKr 5m (NKr 23m); profits before tax and end-year allocations NKr 306m (NKr 94m). Share dealings contributed NKr 268m.

Oriflame plans dividend rise

By Our Financial Staff

ORIFLAME, the direct sales cosmetics group listed in London, reports higher profits for 1985 and plans to increase its dividend.

Helped by an acquisition and underpinned by strong financial income, profits before tax rose to £5.9m ($8.5m) from the £4.8m of 1984. The dividend is going up by 15 per cent to 24.5p a share.

Oriflame is a Luxembourg-registered company

$90m charge dents oil service group

By Our Financial Staff

FURTHER EVIDENCE of the problems in the US oil service industry emerged yesterday when Newpark Resources, a New Orleans energy products and services concern, announced charges of about $90m against 1985 earnings.

The charges will produce a loss for the year of about $124m, which compares with a deficit of $37m in 1984 on revenues of $206m. Fourth-quarter charges will total $65m, bringing a loss in the period of about $94m.

The company attributed the charges mainly to the restructuring of its operations in response to the deterioration in the oil and gas industries.

Newpark has also combined its tool business with Triumph-Lor, a joint venture with NL Industries and Galveston-Houston.

Bergen Bank boosted by growth in lending

BY OUR OSLO CORRESPONDENT

BERGEN BANK, Norway's third largest commercial bank, achieved record operating profits last year of NKr 656m ($91m), before loss write-offs, compared with NKr 535m in 1984. By the end of the year total assets amounted to NKr 42.4bn – NKr 9bn higher than a year earlier.

The bank describes 1985 as a year of growth, marked by the explosive rise in domestic lending. Bergen Bank's competitive performance was good, says the board, and profitability, while lower than a year earlier, was maintained at a "satisfactory" level, despite the strong growth. Earnings as a proportion of average total assets equalled 1.74 per cent, compared with 1.81 per cent in 1984.

An unchanged NKr 14.50 dividend is being paid, and shareholders have the option to take the dividend in shares, at a 15 per cent discount on the market price, instead of cash.

Interest margins were under pressure last year, partly as the result of keen competition and partly because of government measures, and the bank's net interest income as a proportion of total assets fell to 2.88 per cent, from 3.24 per cent. Interest costs rose by NKr 711m to NKr 3.36bn – an increase that was in proportion to the rise in total assets. Interest and commission income did not rise at the same pace, however.

Income from other activities, particularly share and currency trading, was sharply up, and together with bank charges – significantly increased towards the end of last year – rose 37 per cent to NKr 747m. Operating costs, as a proportion of total assets, fell to 3.12 per cent from 3.27 per cent.

Superfos hit by losses at US unit

By Our Copenhagen Correspondent

SUPERFOS, the Danish-based chemicals, feedstuffs, packaging and construction group, suffered greatly reduced profits in 1985 because of heavy losses in its US fertiliser operations. Sales rose from DKr 9.11bn to SKr 11.28bn ($1.34bn), but pre-tax income fell to DKr 40m against DKr 311m.

Superfos' profit after taxation was DKr 11m, a drastic drop from the 1984 figure of DKr 274m. The group is paying an unchanged 12 per cent dividend.

The company described the 1985 result as disappointing, attributing it to the falling dollar and the sluggish fertiliser market, notably in the US where Royster, a fertiliser subsidiary based in Norfolk, Virginia, recorded a major deficit.

The acquisition of Royster in January 1985 put the Danish concern into the world's top 10 fertiliser producers.

Novo Industri slips despite higher sales

BY OUR COPENHAGEN CORRESPONDENT

NOVO INDUSTRI A/S, the Danish insulin and enzymes producer, showed lower profits last year despite increased sales. Factors affecting the decline were the falling US dollar, product changes and lower market prices.

Total sales of the Novo group last year amounted to DKr 4.1bn ($488m), an increase of 9 per cent on 1984. Pre-tax and net profits came to DKr 872m and DKr 804m, respectively.

In a statement the company attributed the drop in profits to decreasing prices, especially in the US starch and alcohol industries. The introduction of new types of insulin and a strengthened marketing effort had helped Novo to preserve and expand its share of most leading markets in the face of continued strong competition.

Mr Mads Ovlisen, the managing director, said last year's results were in line with company expectations and acceptable in view of growing competition and adverse foreign exchange movements.

"Novo sees the current trend continuing into this year with increased pressure on its earnings, but we intend to intensify our research and product development programmes to safeguard our competitiveness in the long term."

Novo, which is listed in New York, London and Copenhagen, produced a string of rapid profit increases before the onset of an international price war in enzymes in 1984.

Subsequently, group earnings have been flat with the results for 1985 hampered further by adverse currency costs of around DKr 30m. The year's dividend is again 20 per cent.

INTL. COMPANIES & FINANCE

De Beers doubles earnings

By Kenneth Marston, Mining Editor

THE GATHERING pace of the recovery in the diamond market coupled with the weakness of the rand has produced a strong second half of 1985 for South Africa's De Beers Consolidated Mines. Pre-tax profits in the period have almost doubled to bring the full year's total to R1.58bn ($557m) compared with R887m in 1984.

Earnings at net attributable level come out at R972m, equal to 288 cents a share, against R722m. The final dividend is raised to 40 cents from 27.5 cents to make a 1985 total of 55 cents against 40 cents for 1984.

The latest total is the highest since 75 cents was paid for 1980, after which the rate was reduced.

De Beers' stockpile of unsold diamonds has eased to $1.9bn, a fall of $52m from end-1984 and the first reduction since 1977. Diamonds are priced in dollars and so the rand equivalent value has been increased to R4.89bn from R3.66bn by the rand's weakness.

The weakness of the rand has, of course, boosted De Beers' domestic revenue from dollar earnings. However, demand for diamonds has increased and is broadening into the higher priced categories of gems.

Furthermore, an easing in the dollar has helped diamond sales in European markets. The Antwerp tax fraud investigations have had no adverse effects on the market.

De Beers' Central Selling Organisation reported a sharp upturn in sales of roughs (uncut diamonds) in the second half of 1985 and the "encouraging trend" is stated to be continuing. Helping matters is the reduction in stocks of diamonds being processed at the cutting centres, coupled with a more restrained level of Soviet sales of polished gems.

Philips buyout bid for Australian arm

BY LACHLAN DRUMMOND IN SYDNEY

PHILIPS, the Dutch electrical goods group, is to offer A$10.8m (US$7.6m) to buy out the 25 per cent held by minority shareholders in its Australian off shoot.

The announcement accompanied the release by Philips Industry Holdings of its figures showing losses of A$8.34m in 1985 compared with profits of A$9.05m the previous year.

Extraordinary charges relating to foreign exchange losses, offset by profits from property sales, took the final loss to A$16.8m.

Philips intends offering 75 cents for each outstanding share in the Australian arm.

It said a major reason for its bid was to allow the local operation to participate more fully in Philips' global competitive strategy, the long-term objectives of which were not always compatible with the short-term interests of minority shareholders.

In the past eight years Philips has had losses totalling A$63, offset by three profitable years when A$26m was earned. Dividends have been paid in only two of those years.

The offer price compares with a closing pre-bid market quote of 59 cents and with a net asset backing of A$1.41 a share.

The latest loss came on a 14 per cent increase in sales to A$598m which, the company said, reflected competitive market conditions.

Fluor reports first-quarter profit of $6.6m

By Our Financial Staff

FLUOR, the big US engineering and construction group, yesterday reported a profit of $6.6m or eight cents a share for the first quarter ended January 31, helped by a $24.1m gain from the sale of shares in St Joe Gold.

The result compares with a loss of $32.8m or 41 cents a share a year earlier, which includes a gain of $2.3m from discontinued operations. Sales rose from $927.5m to $1.19bn.

The company said that although it was encouraged by first-quarter results, it expected that earnings recovery in 1986 might be uneven.

It said management emphasis in 1986 would be to refine the operating strategies implemented last year, particularly in the area of cost effectiveness and expansion into new market centres.

Last year Fluor started a restructuring programme that resulted in a one time charge of $410m.

The write-down, in the fourth quarter of last year, related to the company's oil and gas unit, which it agreed to sell; coal assets; and the elimination of goodwill recorded in the 1981 acquisition of St Joe Minerals.

INTL. COMPANIES & FINANCE

Canberra rejects BHP bid inquiry

BY EMILIA TAGAZA IN CANBERRA

A PRIME obstacle to Bell Resources' partial bid for Broken Hill Proprietary (BHP) was removed yesterday when the Australian Federal Cabinet decided, once and for all not to intervene in the takeover battle. The move thwarts BHP's attempts to put up a political barrier against Bell's bid.

The Cabinet took the decision after having been satisfied with Bell's undertaking to maintain BHP's steel operations if it succeeded in the takeover.

Last week, the Cabinet appointed a ministerial committee to seek assurances from both Bell and BHP on the future of the steel industry. The government has been under pressure from trade unions and members of the ruling Labour Party to intervene in the takeover for fear that Bell would phase out BHP's biggest employee group, the steel division.

Esso Australia and BHP are temporarily to close one of their 12 oil production platforms in the Bass Srait field from March 20, Reuter reports from Melbourne.

The decision reflects the need to review high-cost operations after the fall in world oil prices, they said. Production elsewhere was more than sufficient to meet present demand, the companies added.

Kingfish A, the platform to be shut, could be brought back into production in about 10 days. Esso said Bass Strait output would remain around 420,000 barrels per day, down from its peak in 1985 of 535,000 b/d.

After almost two days of discussions in Cabinet Mr Bob Hawke, the Prime Minister, revealed details of the commitments made by the Bell chairman Mr Robert Holmes à Court, these were that:

- There would be no redundancies in the workforce before 1939;
- BHP's A$1.5bn (US$1.05bn) capital investment programme for the steel division, would be continuous;
- BHP's three integrated steel plants would be retained.

Mr Holmes à Court gave the additional commitment that if he took over BHP, he would consult both the Government and the unions before any major changes in operations are introduced.

BHP management also committed itself to maintain employment security, retain operations of the three steel plants, and invest at least A$800m to upgrade the steel division.

Another important boost to Bell's bid came with a Cabinet decision to pass on to the Senate an amendment to the Australian Trade Practices Act which provides for an inquiry into the takeover of a monopoly company. The proposed government amendment, which has already passed the lower House, would allow the transfer of a monopoly without an inquiry.

The Cabinet, however, agreed to one demand from proponents of an inquiry, which was to review the tax laws governing takeovers. The Opposition have questioned the appropriateness of the tax deductability of interest on borrowings, especially overseas loans, used to finance large share acquisitions.

Hongkong Bank falls short of expectations

BY DAVID DODWELL IN HONG KONG

THE Hongkong and Shanghai Banking Corporation, which ranks among the world's top 20 banks, yesterday blamed falling oil prices, economic upsets in South-East Asia, and shipping industry problems worldwide for a lower than expected 5 per cent profit growth in 1985.

Profits after tax and transfers to inner reserves were HK$2.72bn (US$ 348.3m) compared with HK$2.59bn, a result which is likely to come as a disappointment to market operators, who had been signalling an improvement of between 10 and 15 per cent over the year.

It will do nothing to improves sentiment after a steep fall on Hong Kong's stock exchanges yesterday. The Hang Seng index fell by 27.9 points to end the day at 1639.15, its lowest since October 18 last year. Ahead of the results, Hongkong Bank's shares fell 15 cents to close at $7.85.

Mr Michael Sandberg, who is soon to retire as the bank's chairman, said there were few signs that 1986 would be a good year. Talking of the bank's problem areas, he said: "We have to stand there and take it."

British Bank of the Middle East (BBME), a wholly-owned subsidiary, suffered a serious setback because of deepening economic recession in the oil-producing Gulf states, Mr Sandberg said. BBME profits fell to HK$151m for the year compared with K$262m, and dividend payments were trimmed by 20 per cent.

In South-East Asia, problems linked with the collapse of the Pan-Electric group damaged Hongkong Bank's performance in an already depressed market. Mr Sandberg did not disclose how severely profits had been dented.

The board is recommending a final dividend of 31 cents per share, making a total for the year of 46 cents. The payout for 1985 amounted to HK$1.45bn, a 10 per cent increase on the HK$1.32bn handed out in 1984. The bank has also recommended a one-for-five capitalisation issue.

HK Electric increases earnings 94%

By Our Financial Staff

HONGKONG ELECTRIC improved attributable net profits by 94 per cent last year to HK$1.2bn (US$153.7m) — largely because of a substantially increased contribution from International City Holdings (ICH), a property company in which the utility has a controlling stake.

The dividend for the year has been boosted to a total of 56 cents from 45 cents, on earnings per share of 89 cents against 47 cents.

The results included an extraordinary loss of HK$75m relating to provisions on the company's ceramics factory. This was none the less down on a HK$203m deficit charged against 1984 net earnings.

Large provisions were made in that year covering the company's stake in ICH, which has since been increased from 35 per cent to 50 per cent.

C. H. Tung set to unveil restructuring proposals

BY OUR HONG KONG CORRESPONDENT

C. H. TUNG, the deeply troubled private Hong Kong shipping group, and Orient Overseas Holdings, its publicly quoted subsidiary, are due later this week to announce a corporate reconstruction aimed at salvaging the group and placating creditors which are owed around US$2.4bn.

First signs of serious trouble inside C. H. Tung, Hong Kong's second largest shipping group with 111 vessels, emerged last September when Orient Overseas said it had arranged a HK$1bn (US$128m) line of credit "to maintain its working capital position."

The group has more than 70 creditors, the majority of which are Japanese. The complexity of its corporate structure, and the overlapping of private and public interests, have led to long delay in drafting rescue plans.

The reconstruction is expected to involve hiving off into separate companies its container operations, mainly held by Orient Overseas, the group's vessels under construction and its fleet of tankers and bulk carriers. A new holding company, amalgamating the public and private groups, is then likely to provide an umbrella for the new companies.

The group is also close to agreement on substantial financial backing from a mainland Chinese group, thought to be the China Offshore Shipping Company (Cosco). The cash injection is expected to amount to between US$100m and US$150m.

Cosco, which controls mainland China's international shipping fleet, would in return acquire major stakes in the hived-off Tung companies, significantly upgrading its own rather aged shipping fleet.

Court hearings open on Minebea offer

By Yoko Shibata in Tokyo

COURT PROCEEDINGS opened in Japan yesterday between Minebea, the ball bearing maker, and the investor group which is seeking to mount a hostile takeover bid.

The Ueda branch of the Nagano district court is to hear an application by Trafalgar/Glen of the Virgin Islands, a British-US joint venture formed with the purpose of taking over Minebea. It is seeking the annulment of Minebea's merger with an affiliate and a convertible bond issue on the grounds that these moves are intended only to prevent a takeover.

The day's hearing, however, was blocked by a Minebea challenge that Trafalgar Glen should make a deposit for court costs as it has no office in Japan. The next hearing is scheduled for April 18.

Losses mount at Saan

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN Associated Newspapers (Saan), publisher of the Cape Times, Financial Mail and Johannesburg Sunday Times, increased its losses in 1985 even though it closed the Rand Daily Mail and appointed a new chairman and managing director.

Turnover fell to R129m ($64.9m) from R138m. Although the operating loss was reduced to R7.8m from R8.3m, an increase in interest payments and reduction in investment income led to a wider pre-tax loss of R12.51m against R7.45m.

The financial year-end has been changed to March 31 from December 31 and the current financial period will be the 15 months to March 1987.

Mr John King, the new managing director, said the past 12 months had been exceptionally difficult for the country's newspaper industry. Advertising revenues fell 16 per cent in real terms.

The loss-making Business Day, which replaced the Rand Daily Mail, is expected to make a profit shortly. The normally high profitable Sunday Times has been particularly badly affected by poor advertising.

The loss per share increased to 700 cents from 315 cents, and a dividend has not been declared. In 1984 a dividend of 25 cents was paid.

Saan is controlled by Johannesburg Consolidated Investment, which in turn is controlled by Anglo American Corporation.

Strong advance at Burns Philp

By Lachlan Drummond in Sydney

BURNS PHILP, the diversified Australian retailing and trading group, continued its recovery in the half-year to December with a 28 per cent improvement in net earnings to A$19.7m (US$13.8m).

The increase came on a 3 per cent rise in sales to A$636m

The pre-tax result was up 30 per cent to A$26.44m and the company's equity share of associates' income in excess of dividends was up from A$2.2m to A$3.4m.

The interim dividend is being raised from 9 cents to 10 cents a share on per-share profits of 30.3 cents against 23.7 cents.

Aid for broker

J. BALLAS, a Singapore stockbroking firm, has won permission to borrow S$8.6m (US$4m) from a lifeboat fund set up to help brokers with liquidity problems, Reuter reports from Singapore. The money will repay bank loans involved in a forward share purchase deal which another broking firm failed to fulfil.

Carla Rapoport reports from Seoul on Daewoo Heavy's proposed convertible bond

S Korean market in play for world status

SOUTH KOREA'S second convertible Eurobond is expected to be announced in the new few weeks by Daewoo Heavy Industries, the diversified group whose interests range from robots to railway rolling stock. According to executives in Korean financial institutions, however, the terms for the Daewoo Heavy issue are being hotly debated amid conflicting national and private interests.

Convertible issues for South Korean borrowers, pioneered by Samsung Electronics last December, represent the country's first step towards allowing direct foreign investment in Korean securities. The Samsung convertible option can be exercised in September 1987. After that purchases by foreigners in the Korean Stock Exchange are expected to be allowed.

The $20m Samsung issue gave rise to controversy at home and abroad—something that Korean officials would prefer to avoid in the next issue, which is expected to be launched in May or June.

In its first weeks of trading, the Samsung issue traded below par, in part because investors thought the terms rather ambitious. Further, charges of stock manipulation surrounded the issue's pricing. Samsung's stock rose by more than 70 per cent between the announcement of the issue in late October and the pricing week in December compared with the stock exchange's composite index which rose by just over 30 per cent. Even so, Samsung obtained attractive features such as a floating premium and a low coupon.

Daewoo Heavy wants the same terms as Samsung, though it is understood that one of the big Japanese securities houses is proposing a package which gives Daewoo Heavy even better terms.

Korean securities firms and government officials are wringing their hands in dismay, as most believe that Korean companies must learn to live with less, not more, if Korea is to establish itself as a solid member of the international financial community.

"We have to develop a wide pool of foreign investors to get ready for the opening of our market. Unfortunately, Korea's large companies aren't thinking about the distribution of their issues and they don't like the idea of tough terms and conditions," said a top executive at one of Korea's leading securities firms last week. Korean securities firms are not yet allowed to lead manage convertibles, though they are allowed to participate in the underwriting.

Since the Samsung issue, the Korean stock exchange has continued to surge. The composite stock index has risen from around 160 at the end of last year to around 185 at the end of last week. Average daily volume is setting new records as well, hitting 83m shares last Thursday, compared to the previous high last December 26 of around 68m shares.

A further leap in price following the announcement of the next convertible would be even more embarrassing to Korean officials. As a result, steps are being taken to promote the stability and maturity of the market. Last Saturday Ministry of Finance officials stepped into the over-heated stock market, announcing dividend taxation measures which helped to cool it down.

In the longer term, officials are attempting to bring more order to the market by increasing institutional involvement. Currently, Korea's three international investment trust funds put only 15 per cent of their funds into Korean equities. This year, according to the Korean Investment Trust Company, the percentage will increase to 20 per cent. This could bring a welcome aid to the Seoul Stock Exchange, as KITC manages assets worth about $2.6bn.

Leading the rally, not surprisingly, are the 18 companies deemed eligible to issue convertibles. Daewoo Heavy, for example, was trading at around Won 1070 last week, more than double its price a year ago. Other companies tipped to issue convertibles this year are also trading on multiples almost unheard of in Korea, where the average price/earnings ratio for companies has long been around 4 or 5.

Hyundai Motors, for example, is trading on a historic multiple of 18, according to Daewoo Securities, while Gold Star, Kia Industries and Daewoo Heavy are trading on around 22, 15 and 15 respectively.

For most, these kinds of changes are not happening fast enough. South Korean companies' financial reports still fall far short of international accounting standards, while any legislation on investment advisory services has yet to be passed. Daewoo Securities itself admits it is only in the business of "positive" research.

For the time being, therefore, attention will be focused on Daewoo Heavy, Korea's second ambassador into the international capital markets. As Korea's largest manufacturer of heavy industrial equipment — from rolling stock to robots — Daewoo is in a strong position to demand good terms for its convertible. Yet, wide distribution and a positive reception from investors may prove even more important to Korean officials over the longer run. At the moment only a gambler would bet on the outcome.

Shake out of gilts dealers predicted

BY CLARE PEARSON

SOME of the 29 securities houses entering the new London gilts market as primary dealers are likely to opt out at an early stage — probably leaving the market to be dominated by the big US investment institutions, which will be able to treat their operations as loss leaders.

Raising this possibility yesterday in an address to the Financial Times conference on The Euromarkets in 1986 Mr Rupert Hambro, chairman of Hambros Bank, predicted that the newly constituted gilts markets would offer opportunities as well as difficulties as it turned into an operation more akin to the Eurobond market. The firms most likely to opt out early, he said, would be those with a weak capital base.

Those institutions which would become inter-dealer brokers were most likely to benefit from the deregulation of the gilt market, because they would have a captive market and the opportunity to earn commission business without associated risk.

Mr Hambro was optimistic about the opportunities for other sterling capital markets to benefit from increased liquidity after deregulation. The abolition of bond washing (the conversion of income into *capital gains on gilts) made* other sterling instruments more attractive. He also stressed the opporunities that would be *provided by a sterling commercial* paper market, if the authorities were to allow one to develop.

Turning to the prospects for an international primary market in equities, Mr Andrew Large, chief executive and deputy chairman of Swiss Bank Corporation International, pointed out the favourable international environment for such a market at present. Last year had seen 21 Euroequity deals with a market value of $2bn equivalent.

Factors encouraging the development of the market were revolutions in information, links between stock exchanges, the bull market in equities, the recent privatisations in the UK and the greater cost awareness of issuers.

Mr Large stressed that fresh regulation threatened the opportunity to take full advantage of this environment. In particular it was essential that definition of inter-professional dealing should be enshrined in investor protection legislation.

Several speakers stressed the importance of UK investor protection legislation recognising the special nature of the Euromarkets.

Mr John Sanders, a director of S. G. Warburg, and chairman of the International Primary Market Makers Association said that professional "cold calling" should be defined.

Mr David Watkins, a director *of Goldman Sachs and member* of the board of the Association of International Bond Dealers, felt it would be helpful if a *regulatory framework included* two types of authorisation: for those wishing to deal with retail investors and for those involved only in professional dealing.

Mr Archibald Cox, managing director of Morgan Stanley International, spoke of the practical difficulties that would be presented if market makers were required to record comprehensive details of all transactions.

With regard to the importance of a sympathetic environment in London, Dr Michael von Clemm, newly-appointed chairman of Merrill Lynch, regretted adverse press comment on the "salaries war" taking place in the City.

Speaking for the Stock Exchange in London, Mr Graham Ross Russell, deputy chairman, pointed out the efforts that were being made to maintain London's central role in the global markets of the future.

Mr Frederick Joseph, deputy chairman and chief executive officer of Drexel Burnham Lambert, considered the viability of a global market developing in high yielding (often called junk) bonds.

Mr Denis Healey, UK Labour Party spokesman on foreign affairs, said the Baker initiative on easing developing countries' debt problems was inadequate even before the extra pressure created by the fall in oil prices.

FINANCIAL TIMES
THE EUROMARKETS IN 1986
CONFERENCE

Flood of new issues prompted by low interest rates

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

INTERNATIONAL BOND market were again very firm yesterday, prompting a new flood of issues from borrowers anxious *to lock into long-term funds at* current low interest rates.

Much of the early secondary market action concentrated on *European currencies*, but a strong opening on Wall Street also pushed dollar Eurobonds higher as investors began to speculate about a possible further cut in official interest rates.

However, bankers say some borrowers are now giving in to the temptation to launch deals on terms which actually anticipate a further decline in rates. As a result, seasoned issues in the secondary market offer better value to investors than some of yesterday's crop of new bonds.

A case in point was Imperial Chemical Industries, a very rare name in the dollar sector. It launched a $100m, 10-year 8 *per cent issue at 100¼ through* UBS (Securities).

For the first time on an issue for this borrower, the terms *were set as a result of competi*tive bidding and this produced an aggressive pricing with a net launch margin over comparable US Treasuries of just 30 basis points.

Like another of yesterday's deals, an $80m ten-year issue for Fuji Electric, this deal is a bullet with no early call features. Bankers say this makes the deal more attractive at a time of market speculation about possible further rate drops.

Daiwa Europe is leading the Fuji issue, which is guaranteed by Dai-ichi Kangyo Bank. It is a ten-year deal with a coupon of 8⅛ per cent and an issue price of 101⅛.

Norsk Hydro also launched a $100m ten-year 8 per cent issue at par through Salomon Brothers and Swiss Bank Corporation International. The bond is callable after seven years at 101½, declining by half a point annually thereafter. Norsk Hydro, the Norwegian energy and industrial group, is a particularly popular name on the continent. The call provision apparently had little impact on the deal's reception.

The sterling market saw renewed activity on the part of British building societies with two deals, both led by Credit Suisse First Boston. Nationwide is raising £75m through a seven-year, 10½ per cent deal priced at 101. The bond is likely to be swapped for floating rate finance under new rules announced by the Registry of Friendly Societies.

Bankers believe that the issue was priced with the swap in mind. The two other fixed rate building society bonds launched last week for the Halifax and the Leeds were both trading at higher yields yesterday, making Nationwide's pricing look aggressive.

The second issue yesterday was a conventional floating rate note for the Bradford and Bingley Building Society. The interest margin on its £100m, 12-year deal has been set at ⅛ point over the three month London interbank offered rate for Eurosterling deposits.

Orion Royal Bank brought Chrysler Credit of Canada to *the Canadian dollar sector for a* C$75m, five-year, 10 per cent deal priced at 100¼.

Among other currencies, the *French franc featured* with a particularly strong response to the latest FFr 600m issue for Swedish Export Credit (SEK).

Led by Credit Commercial de France, this 1-year, 8⅛ per cent issue met strong demand and traded around its issue price of par last night. At this level it was level-pegging with French government issues, which suggests that interest in French franc paper remains strong despite the imminent elections.

Some bankers believe the Treasury might therefore allow a further issue to be inserted into this month's calendar once the elections are over, but it yesterday indicated its opposition to an increase in the amount of the SEK issue.

Swiss franc issues were firm in active trading. Nippon Telegraph and Telephone launched a SFr 300m, two tranche issue divided into a SFr 200m, 10-year portion with an indicated coupon of 5 per cent and a SFr 100m, 20-year portion at 5¼. Lead manager is SBC.

The Austrian province of Styria is raising SFr 100m through a 15-year issue carrying an indicated coupon of 5 per cent and led by Wirtschafts-und Privatbank. BC is also leading a SFr 100m, five-year 4¼ per cent private placement at par for Mitsubishi Motors Corporation and a SFr 80m placement with equity warrants for Itoham *Food, which carries a 2⅛ per* cent indicated coupon.

Sodite has cut the indicated coupon on its SFr 200m public *issue for Australia's* FAI Financial Services to 5⅛ per cent from 5¼.

D-Mark bonds rose by up to ⅛ points in very active trading, though issue activity was subdued. The International Finance Corporation, an affiliate of the World Bank, is raising DM 100m through a 10-year 5⅝ per cent private placement carrying an issue price of 99⅛ and led by Deutsche Bank.

Banque Internationale of Luxembourg is arranging a LFr 300m, six-year 8⅛ per cent private placement at par for the European Investment Bank.

Priced yesterday in the dollar sector were the $100m equity warrant issue for Omron Tateisi and the $50m deal for Fujita. Nomura has set the coupons at 4 per cent on both deals

$200m paper programme for Kodak

EASTMAN KODAK, the latest US company to announce a Eurocommercial paper programme, is to raise up to $200m as a supplement to its existing borrowings in the New York paper market, writes **Peter Montagnon, Euromarkets Correspondent.**

Dealers in the new pro*gramme will be Citicorp Investment Bank*, Credit Suisse First Boston and Lehman Brothers.

Also tapping the market is *Dyno Industrier*, a diversified Norwegian chemicals and explosives company, which has appointed three dealers to raise up to $100m. They are Morgan Stanley, Bank of America and Den norske Creditbank.

Skandska Banken of Sweden has launched a $100m through Morgan Stanley and UBS (Securities). Funds can be raised in Ecus as well as dollars. Merrill Lynch and Citicorp have been appointed dealers in a $75m programme for Sparebanken Nord of Norway.

Rule change by big Swiss syndicates

By William Dullforce in Geneva

CREDIT SUISSE said yesterday that it had doubled its innovative dollar-coupon perpetual for PepsiCo from SFr 200m to SFr 400m, making it the largest public offering so far on the Swiss market. *It became clear at the* same time that the big Swiss underwriting syndicate has been working under rules *which have allowed two of* its members, Union Bank of Switzerland and Swiss Bank Corporation, to keep out of the PepsiCo deal....

The big three Swiss banks cut fees for foreign borrowers and loosened syndicate rules *for allocating placement* quotas on January 15 in reaction to the growing competition from US banks within *Switzerland and from the de*regulated D-Mark bond market.

They did not then disclose *their new understanding over* participation. The banks now distinguish three categories of issues. The first covers "bread-and-better" *straights*, floating rate notes and single currency perpetuals in which participation is *mandatory* on syndicate members.

The second category includes dual-currency issues, in which the market leader has to invite *participation*, though other members have the right to decline. The third comprises non-debt instruments, such as *warrants*, where a bank can act without inviting.

Both UBS and SBC denied yesterday that the newstructure signalled the breaking up of the big bank syndicate which has dominated the Swiss franc issue business for decades.

SBC and UBS could boycott Credit Suisse's PepsiCo issue because its dual-currency nature put it into the second category.

The PepsiCo pepetual carries a 7½ per cent coupon, payable in dollars at the spot rate of SFr 1.869 on the day of launch. An a SFr 5,000 bond the investor gets annual *interest of $200.64.*

The coupon is cheap for Pepsico, which would hav eto pay around 9½ per cent on the US market. It offers the investor a more attractive yield than the 5½ to 5¾ per cent he would get on a comparable straight Swiss franc perpetual.

PepsiCo has a call option at 10 years when the coupon will be reset at 50 basis points below the yied at the time on 10-year Treasury notes. The investor recieves SFr 5,000 if the option is exercised

The *investor* has a put option under which he would get back his SFr 5,000 if the... dollar rate equals or is above *SFr 1.869.*

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on March 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	106⅞	107⅜	+0⅝	+0⅞	8.89
Amex Credit 10⅞ 90	100	107⅜	107⅞	−0⅛	−0⅛	8.61
Atlan. Richfield 10¼ 00	250	106⅛	106⅝	+2⅛	+1⅛	9.41
Australia Com. 11 95	200	115⅜	115⅞	+0⅜	+0⅝	8.49
Australia Com. 11⅛ 00	100	117⅞	118⅜	+0⅞	+0⅞	8.94
BP Capital 11⅛ 92	150	109⅜	109⅞	+0½	+1	8.94
Campbell Soup 10½ 95	100	111⅝	112⅛	+0⅝	+0½	8.60
Canada 11½ 90	500	112	112½	+0⅝	+0⅝	7.83
Canadian Pac. 10⅜ 93	100	106⅝	107⅛	+0⅜	+0⅝	9.38
CEPME 10⅝ 91	100	107⅜	107⅞	+0⅝	+0⅜	8.36
Citicorp 10 88	200	102⅞	103⅜	−0⅛	−0⅛	8.49
Citicorp 10 98	200	†102¼	102¾	+0½	+1¼	9.59
Citicorp 10⅝ 95	200	104⅛	104⅝	+0⅛	+0⅞	9.87
Credit Lyonnais 9 91	200	103¼	103¾	+0⅜	+1⅜	8.12
Credit National 9¾ 93	150	104	104½	+0⅝	+1⅛	8.28
Denmark Kgdm. 11¾ 89	100	107⅞	108⅜	+0½	+0⅝	8.23
Denmark Kgdm. 11½ 90	100	110½	111	+0⅝	+0⅞	8.34
Denmark Kgdm. 11½ 92	100	112¾	113¼	+0⅜	+0½	8.65
EDF 10 95	225	107⅜	107⅞	+0⅝	+0⅜	8.76
EEC 8¾ 91	150	102⅞	103⅜	+0½	+1½	7.83
EEC 9¾ 90	350	104⅞	105⅜	+0½	+0⅝	8.21
EIB 10¾ 94	200	108⅝	109⅛	+0⅝	+0⅛	8.73
EIB 12 95	200	120⅞	121⅜	+1⅜	+1⅝	8.57
Eli Lilly 10¾ 92	150	111⅛	111⅝	+1⅜	+2⅛	7.95
Equit. Lrd. Rlty. 10½ 97	100	108⅝	109⅛	+0⅜	+1⅛	9.23
Export Dev. Cpn. 10 90	100	107⅜	107⅞	+0⅝	+1⅛	7.86
Fed. Dep. Strs. 10⅜ 95	100	109⅛	109⅝	+0⅝	+0⅝	8.62
Ford Motor Crd. 10½ 91	150	107	107½	+0⅝	+0⅞	8.60
Ford Motor Crd. 11⅜ 90	100	109	109½	+0⅜	+0½	8.50
Ford Motor Crd. 12 95	100	114⅛	114⅝	+1	+1⅛	9.61
Gen. El. Cred 10⅜ 00	200	105⅛	105⅝	+0⅜	+0⅝	9.51
GMAC 10⅜ 89	200	105½	106	+0⅝	0	8.13
GMAC 10⅝ 92	250	107⅛	107⅝	+1⅛	+1½	8.72
IADB 9⅞ 95	200	108½	109	+1	+0⅝	8.51
IADB 10½ 95	150	112⅝	113⅛	+1⅞	+2⅛	8.46
Kellogg Co. 10⅞ 90	100	106½	107	+0⅝	+0½	8.72
Kellogg Co. 11⅜ 92	100	109⅞	110⅜	+0⅜	+1⅜	8.95
Nippon Cr. Bk. 10⅜ 95	150	111¼	111¾	+0½	+0⅜	8.80
Pillsbury Co. 10⅜ 93	100	106½	107	+0½	+0⅞	8.96
Proct. & G. 'A' 9⅞ 92	150	105	105½	+0⅜	+0⅜	8.81
Pru Realty S. 12⅛ 95	546	114½	115	+0⅝	+0⅜	9.56
Qantas Airways 10⅜ 95	140	111⅞	112⅜	+1⅜	+1⅜	8.47
Quebec Hydro 11½ 92	100	114⅞	115⅜	+1⅜	+2⅞	8.44
Queensld. Gvt. 10¼ 95	100	110⅛	110⅝	+0⅜	+2⅛	8.57
Ralston Purina 11⅜ 95	150	117⅜	117⅞	+0⅝	+2	8.85
Saab Scania 9½ 91	125	104⅛	104⅝	+1⅛	+1⅜	8.34
Saskatchewan 10⅜ 92	100	110⅝	111⅛	+0⅝	+0⅞	8.35
Scandinavia Air 10⅛ 95	150	108½	109	+1	+0⅝	8.74
State Bk. S. Au. 9¾ 93	100	102⅞	103⅜	+0⅜	+0⅜	8.65
Statoil 10 90	170	106⅝	107⅛	+1⅛	+1⅛	8.06
S. Wales Trny. 11⅜ 90	150	111⅛	111⅝	+0⅝	+0⅝	8.35
Swed. Exp. Cred. 10 92	100	108½	109	+1	+1	8.14
Sweden 10⅜ 92	250	109½	110	+1	+0⅞	8.29
Sweden Kgdm. 10⅞ 90	200	109⅛	109⅝	+0⅝	+0⅝	8.10
Sweden Kgdm. 10⅞ 90	200	110⅛	110⅝	+0⅛	+0⅜	8.15
Sweden Kgdm. 11⅜ 90	100	114⅝	115⅛	+0⅜	+1	8.19
Tenneco Cpn. 10⅜ 95	150	106⅝	107⅛	+0½	+0⅞	9.58
Utd. Tech. Fin. 10⅜ 95	100	109⅛	109⅝	+0½	+0⅞	9.09
Victorian Rep 11⅜ 92	150	113⅛	113⅝	+0⅝	+0⅞	8.69
World Bank 9⅜ 2016	300	110⅛	110⅝	+0⅝	+1⅛	8.76
World Bank 10⅜ 95	300	112⅞	113⅜	+2	+1½	8.09

Average price changes...On day +0⅝ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	108⅛	108⅞	+0⅛	+0⅛	6.65
Ausrnan Elec. 6½ 95	150	101⅛	101⅞	−0⅛	−0⅛	6.27
Copenhagen 7⅜ 95	150	103⅜	104⅛	+0⅜	+0⅜	6.76
Dow Chemical 6¾ 95	300	102⅞	103½	+0⅞	+0⅛	6.29
EIB 6⅞ 95	300	104⅞	105⅛	+0⅜	+0⅜	6.14
EIB 7⅜ 94	300	105½	106⅛	+0⅛	+0⅜	6.34
Emhart Cpn. 6⅞ 95	175	101⅛	101⅞	+0⅛	−0⅛	6.53
Ex. Im. Bk. Korea 7⅜ 90	100	101⅞	102⅜	+0⅛	+0⅛	6.99
Finland Republic 7 92	200	104⅜	105	−0⅝	+0⅜	6.03
Gould Int. Fin. 7⅜ 91	100	104⅛	105	0	−0⅛	6.54
Heron Intl. Fin. 7⅛ 95	100	97½	98⅛	−0⅛	−0⅛	7.56
Hoesch Intl. Fin. 7 95	100	103½	104⅛	−0⅛	−0⅛	6.45
Ireland 8⅜ 92	150	107⅛	107⅞	+0⅜	+0⅛	6.58
I/S Elsam 6⅜ 93	125	98⅞	99⅜	0	0	6.87
Japan Fin.Con. 7⅜ 91	100	104⅞	105⅜	−0⅛	−0⅛	6.41
Misbshi. M. 3⅛ 89 WW	100	105½	106⅞	−0⅛	−0⅛	1.43
Misbshi. M. 3⅛ 89 XW	100	91½	92⅛	0	+0⅛	5.54
Quebec-Hydro 7⅛ 95	200	105⅞	106⅜	+0⅜	+1⅛	6.21
Renfe 7⅛ 95	100	105½	106⅛	0	0	6.87
Soc. C. Nuclear 7⅜ 95	150	103⅜	104⅛	+0⅛	+0½	6.69
So. C. Nuclear 8 91	100	104⅞	105⅜	−0⅛	0	6.78
S. African Tran. 7⅜ 92	100	96⅛	96⅞	+0⅜	+3⅞	8.32
World Bank 7 95	600	105⅜	106⅛	+0⅛	+0⅛	6.17

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon. Cap. Cpn. 5¾ 94	130	†102	102½	−0⅛	−0⅛	5.06
Br. Land. Cpn. 5⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler 5¾ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 5 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 5⅜ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutche Bk. Fin. 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Occidentale 4¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glendale Fed. 6 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. F. Finland 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int. Am. Dv. Bk. 5⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N. Zealand Steel 5⅜ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oboros. Kfwrk. 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Olivetti Intl. 5⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico 5⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Phibro-Salomon 5⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. Pr. 5⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Metropolis 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Eurofima 6⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Crd. 6⅜ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Syntex 6⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Walt Disney 6⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Westinghouse 6⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅞ 90 AS	50	94⅞	95⅜	+0⅛	+0⅛	14.19
Creditanstalt 12⅞ 90 AS	50	98⅞	99⅜	+0⅛	+0⅝	13.22
Fiat Finance 14½ 89 AS	50	99	100	+0⅞	+0½	14.71
Swed. Ex. Cr. 13 88 AS	40	97⅞	98⅛	+0⅛	+0⅛	14.01
Amex 10⅞ 90 C$	60	103⅛	103⅝	+0⅜	+1	9.68
Canad. Pac. 10⅝ 90 C$	75	103⅞	104⅛	+0⅛	+0⅞	9.26
CIBC 10⅜ 90 C$	75	†102⅞	103⅛	+0⅞	+1⅛	9.83
Genstar Fin. 11⅜ 95 C$	75	†103	103½	−0⅜	−2⅞	11.15
Montreal 11½ 95 C$	75	105	105½	+0⅛	+0⅜	10.56
Ryl. Trustco 10⅜ 90 C$	75	101½	102	+1	+1⅛	9.87
Sears Acc. 10⅝ 92 C$	75	†103½	104	+0⅜	+1⅛	9.90
Coca-Cola F. 17 90 NS	75	105⅛	106½	+0⅜	+0½	15.01
Denmark 17½ 89 NS	50	†96⅞	97	−2⅛	−2⅞	19.01
Unilever Cp. 17⅛ 89 NS	50	98	99	0	+1	17.96
Copnhagn. C. 95 Ecu	40	104½	105	+1	+1⅝	8.26
Eutelsat 9 93 Ecu	50	102⅝	103½	+1⅞	+2⅛	8.41
Walt Disney 8⅜ 94 Ecu	63	102⅞	103⅜	+1	+1⅛	8.20
Honda WW 3⅞ 90 Fl	100	105⅛	105⅞	−0⅛	+0⅛	2.41
Honda XW 3⅞ 90 Fl	100	90⅞	91½	+0⅛	+0⅛	5.43
Thyssen 7⅛ 90 Fl	50	103⅜	103⅞	+0⅛	+0⅛	6.28
Wereldhave 7½ 90 Fl	75	103	103⅜	+0⅛	+0⅛	6.59
Wessanen 6⅜ 90 Fl	50	100⅞	101½	0	+0⅛	6.44
Eurofima 11⅛ 92 FFr	300	108⅛	108⅜	0	+1	9.33
Amev 11 93 £	50	101⅛	101⅜	+0⅞	+1⅛	10.66
Australia Com. 11 92 £	40	103⅜	103⅞	+0½	+1	10.16
EIB 11⅛ 93 £	50	105⅜	106⅛	+1⅛	+2⅞	9.91
GMAC UK F. 10½ 90 £	30	102⅛	102⅞	+0⅞	+2	9.70
Imp. Ch. Ind. 11⅜ 95 £	100	105⅜	106⅛	+1⅞	+3⅞	10.22
Imp. Ch. Ind. 10⅜ 92 £	75	101⅞	102⅛	+1½	+3⅜	10.28
McDonalds 10⅞ 90 £	40	102⅛	102⅝	+0⅜	+1	10.07
Mitsbshi. F. HK 11 90 £	50	101⅞	102⅛	+0⅛	+1⅛	10.42
NSW Treasy. 10⅜ 92 £	50	100⅞	101⅜	+1⅜	+2⅛	10.37
Rank Xerox 11 92 £	40	103½	104	+1⅛	+3⅛	10.15
Royal Ins. 10⅜ 92 £	60	101⅛	101⅝	+1½	+2⅛	10.42
J. Sainsbury 10⅞ 93 £	60	101⅞	102⅛	+1½	+2⅞	10.41
Tricentrol XW 11 92 £	35	84⅞	85½	+0⅜	−0⅜	14.80
Trthse. Forte 11⅛ 90 £	50	101½	102	+0⅛	+1⅛	10.56
World Bank 11⅜ 95 £	100	107⅜	108⅛	+2⅛	+3⅛	9.88
COE 8⅞ 95 LFr	600	†99⅞	100⅜	0	+0⅛	8.82
N. Lux. Al. 10½ 92 LFr	600	103⅞	104⅞	0	−0⅛	9.65

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Anglia Bldg. S. 5 98 £	0⅛	99.85	99.90	14/4	11⅛
Belgium, Kngdm. of 91	0	100.12	100.22	19/8	8.06
BNP 5¼ 96	0.05	101.21	101.31	10/7	8.05
Britannia 5 93 £	0⅛	99.85	99.90	8/4	11½
CCF 5¼ 97	0	99.52	99.62	5/4	8.06
Chicorp 5 2005	0⅛	99.05	99.15	27/3	8.04
Citicorp 5 2035	0.225	98.48	98.58	27/3	8.04
Credit Lyonnais 5 2000	0⅛	100.19	100.29	10/7	8.06
EEC 3 92 DM	0	100.06	100.12	20/8	4.44
EEC 5 90	0⅛	99.97	100.04	8/7	8.06
EEC 5¼ 93 Ecu	0.0312	99.84	99.94	30/4	9.91
ENEL 5 2000	0⅛	100.16	100.26	1/3	8⅛
Ireland 5¼ 97	0⅛	100.19	100.29	28/2	8.44
Lloyds Bank Perp.	0¼	99.97	100.07	9/6	8½
Midland Bk. Perp. 5	0¼	100.06	100.16	19/6	8⅛
NatWest Perp. A	§0¼	100.12	100.22	9/7	8.31
NatWest Perp. B	§0¼	100.13	100.23	9/8	8¼
New Zealand 5 97 £	0.07	99.80	99.90	16/3	11.57
New Zealand 5 2001	0	99.93	100.03	4/8	8⅛
Prudential Cpn. 4 95 £	0.1	99.65	99.75	5/3	11.78
R. Bk. Scotland 5 Perp.	0¼	100.14	100.24	11/6	8.44
Societe Generale 5¼ 97	0⅛	100.03	100.13	18/3	8⅛
United Kingdom 5 92	0	100.01	100.08	7/7	8.06
Woodside Fin. 5¼ 97	0	99.46	99.56	28/7	8.19
Woolwich 5 95 £	0⅛	99.76	99.81	19/5	11.69

Average price changes... On day +0.01 on wk. +0.06

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	169¼	170⅛	+0⅛	8.68
Comcast 7 2000	12/85	23.87	†118	119	0	8.32
Fanuc 3⅛ 98	1/84	7032	206	208	−1	62.82
Fuji Hvy. Inds. 3 2000	8/85	676	104⅜	105⅜	−0⅛	0.14
Fujitsu 3 99	5/84	1320	105⅞	106⅞	−0⅛	11.47
Kumagai Gumi 3½ 2000	3/85	600	221	223	+1½	10.61
Marui 3½ 99	7/84	1162	201½	202⅞	−1⅛	−0.29
Minolta Camera 2⅛ 94	2/86	1105	98⅛	99⅛	+0⅛	24.52
Mitsubishi Bank 2⅞ 00	8/85	1768	120⅞	121⅞	−0⅛	−0.90
Mitsubishi Elec. 2⅞ 00	3/85	422	111⅞	112⅛	−0⅞	−1.36
Murata 3½ 2000	7/84	2398	137½	138⅞	−1	21.60
Nippon Elec. 2⅞ 2000	1/85	1296	133⅛	134⅛	+1	47.73
Nippon Oil Co. 3 2000	5/85	923	135	136⅛	−1½	0.72
OKI Elec. Ind. 3⅛ 99	10/84	805	111	112½	−0⅛	1.80
Sanwa Bank 2⅛ 2000	10/85	1486	125⅛	126⅞	−0⅛	0.43
Sekisui House 3 99	6/84	612	195⅞	197⅛	−0⅛	1.02
Sumitomo Bk. 2⅛ 2000	8/85	2142	113⅛	114⅛	−0½	−0.47
Sumitomo Cpn. 2⅞ 99	8/84	593	177⅛	178⅞	−0⅛	−0.21
Taiyo Yuden 3⅛ 2000	3/85	1078	†124	126	−2	−2.13
Takeda Rkn. 3⅛ 2000	10/84	7883*	†104	106	−1	8.24
Tokyo S'yo El. 3⅛ 99	12/84	772	106	107⅛	−0⅛	6.07
Toshiba Cnp's. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yamaha [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Oil [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nip. Shinpan 2 92 SFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asics 5 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Renown [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

TECHNOLOGY

Study into software for space

By Peter Marsh

FUTURE manned space platforms will rely heavily on complex software to control equipment which provides energy and air, and to control communications with ground stations.

Logica, the British computer company, is involved in studies worth £350,000 with European aerospace concerns to ensure this software is free from errors and works as effectively as possible.

The company is working on the projects with Aeritalia of Italy, British Aerospace, and Matra of France. All the studies are linked to work by the European aerospace industry — under the leadership of the Paris-based European Space Agency — to design a manned space module called Columbus. This is due to plug into the central US core of an international space station planned for the 1990s.

In the work with Aeritalia, Logica is devising a set of software which could run equipment in a pressurised laboratory which is to be the main part of Columbus. The programs would ensure that life-support equipment is working properly and monitor other mechanisms such as computer-run scientific experiments.

With British Aerospace, the computer company is defining how to automate ground stations which send messages to orbiting platforms. Other tasks may be to devise ways to route instructions from space via the main ground centre of other stations around the world.

In collaboration with Matra, Logica is working on new distributed computing techniques to link up a number of computers, all of which may be concerned with some segment of operations on an orbiting vehicle.

A module such as Columbus will generate large amounts of data — including information from experiments, and basic "housekeeping" data about the status of equipment on the station. A number of computers would take responsibility for processing this information.

Apart from Matra, Dornier of West Germany and Selenia of Italy are also working on distributed computing techniques in relation to Columbus. This effort is being co-ordinated by the European Space Agency's technical centre at Noordwijk, Holland, which is building an engineering test bed to run trials on software.

Paul Cheeseright on a problem facing Europe in its quest to strengthen technological base

EEC looks to flexible policing of research subsidies

THE drive to strengthen the technological base of Europe—now next to godliness in the canon of the Community—is forcing the European Commission to define how competitive the competition regulations ought to be.

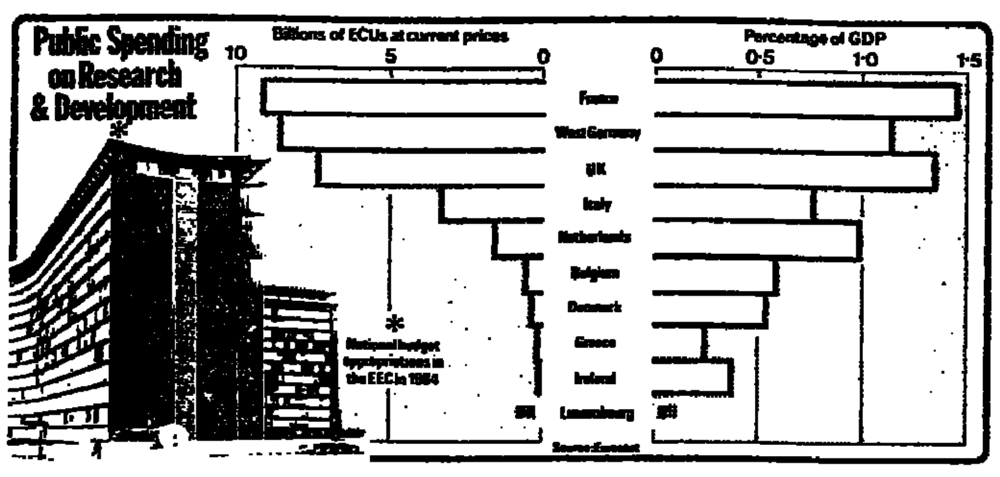
Its latest step in a long-running exercise of interpretation will be soon to publish a set of guidelines on how far and in what way governments will be permitted to subsidise civil research and development.

For the Commission, charged under the Treaty of Rome setting up the Community to act as competition policeman, this is a difficult and messy area.

To start with, the Commission is not certain exactly what it is policing. It believes that there has been a qualitative change in the nature of subsidies offered by governments over the last five or six years. Government support has shifted away from a narrow concern to revitalise declining sectors and is increasingly being scattered across a broad range of high-technology industries.

But, governments of the Ten, now the Twelve, have not been better than patchy in meeting their obligations to inform the Commission of the subsidies they are paying. So the Commission, trying to grip the situation, will start forming an inventory of subsidies as soon as the new guidelines are published.

It is doubtful whether such an inventory will ever be published in detailed form. The Commission does not want to fuel US accusations of heavy subsidisation in the Community, nor does it want to give political levers to those who receive small subsidies so they might press for more.



There is no uniform pattern of official research and development (R & D) spending in the Community. In 1984 national budget appropriations for R & D added up to Ecus 31.07bn. But the percentage of GDP (gross domestic product) taken up by publicly funded R & D ranged from 0.24 in Greece to 1.45 in France.

The second point of difficulty for the Commission is the nature of the Treaty of Rome itself. The Treaty has a general ban on subsidies but permits exceptions where "they are intended to facilitate the development of certain activities or certain regions." The exceptions, however, should not distort trade.

So there is a balance — is the damage of subsidies less harmful than the damage of not giving them? In the end, the judgment is political rather than doctrinal. If it is political, then it is a juggling act.

The general political line is clear. The guidelines, sponsored by Mr Peter Sutherland, the commissioner for competition, state: "The aim of competition policy is to improve the international competitiveness of Community industry." Therefore the rules have to be applied in a way which encourages co-operation in spreading new technology.

That means general approval for R and D subsidies, but not to blank cheques. The guidelines serve notice that each case will be considered individually.

The approach is that basic industrial research can attract more subsidy than applied R and D. And by "basic," the Commission means up to the stage of the construction of the first prototype. After that, concern about trade distortions becomes more acute.

Because this is a juggling act, however, the approach is not absolutely cut and dried. If there are cases of state funding which have an especial economic importance, or where they are directed at Community projects, or involve small and medium-size companies, then the rules can be bent a bit further.

Generally, according to the guidelines, the subsidy should not be worth more than half the gross cost of a project. This is already the benchmark figure for Community funding of Community projects: companies are expected to pay as well.

The closer a project is to the market place, the less should be the extent of the subsidy. "The Commission in its examination and evaluation of national proposals will look in principle for progressively lower levels of aid," say the guidelines.

The Commission is relaxed about the way subsidies are paid—grants, soft loans, guarantees, tax concessions and so on—but, and here the notification question comes up again, it certainly wants to know beforehand of any projects where the total cost is Ecus 20m or more.

Eligible costs for subsidising—the costs the Commission will add up when assessing the value of a subsidy—include those for personnel, materials, instruments, land, equipment, consultancy services and overheads incurred directly as a result of the R and D.

The keynote of the guidelines, however, is flexibility. In its own jargon, the Commission definitions are "indicative not normative."

It is clear that the Commission is not going to turn down state-funded R and D projects. It has never done so. What it will do is to temper the conditions of the subsidies from time to time.

Last year, for example, it approved the UK's £350m Alvey programme virtually on the nod, but obtained changes in a West German micro-electronic programme.

In the latter case it argued that subsidies for research in software at major companies were not justified because the work planned was normal company activity. And it obtained from the German authorities an undertaking that the subsidies would go only to smaller companies which otherwise might not have done the work at all.

The only case it is now working on involves Dutch and German subsidies for a joint Philips-Siemens development of a megachip. The Commission has called for more information before making up its mind whether the Treaty of Rome can accommodate the subsidies.

Neater and better-performing radar system from Plessey

WORTH WATCHING

EDITED BY GEOFF CHARLISH

MILITARY RADAR size, weight and performance will improve with newly developed microwave devices from Plessey, the UK electronics group. These use gallium arsenide, the new high speed semiconductor.

Increasingly, military radar designers are using "phased array" technology in which the familiar rotating or nodding disk aerial is replaced by a stationary box structure in which the four vertical faces, each a few feet square, are covered with small metallic radiating elements.

By computerised timing of the microwave energy applied to each element, it is possible to create and move the radar beam into any direction in the surrounding sky at high speed. The radar can then acquire and display a number of targets, virtually at the same time, and track them simultaneously.

This gives more immediate results than rotating systems, where the user has to wait for the dish to come round to the same position again before the target is "re-painted" on the screen.

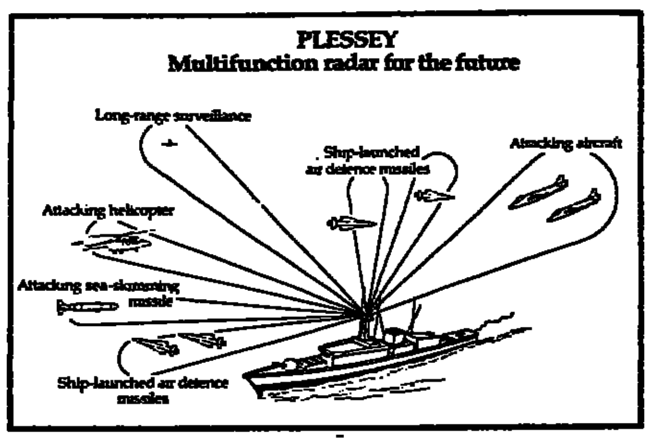
Known for a decade, the new technique has been cumbersome to apply because each of the elements, which can number thousands per face, must be fed by individual microwave units. With conventional devices the bulk can be unacceptable, not just in aircraft but also on ships.

The new Plessey gallium arsenide monolithic devices for transmission, reception and timing are millimetres in size, rather than inches using older technologies. So they can be accommodated very close to each element on the aerial, reducing both size and weight. Ultimately Plessey plans to make such systems part of the skin of aircraft or ships.

In addition, more elements can be accommodated per face, which improves performance and accuracy of the radar. It also becomes possible to use one radar per ship instead of one for each weapon or navigation system.

FLUID BED combustion, able to burn low grade coal in an agitated bed of finely divided particles, is to be used in a new power generation system that will be developed jointly by Sulzer Brothers of Switzerland and Cockerill Mechanical Industries of Belgium. Reduced pollution and a smaller cooling water demand are additional advantages.

Sulzer claims this will be the first commercial application of fluid bed technology in the power generation market, although it has been used for some years in waste incineration and industrial boiler plants. In the UK, Sulzer is on 0252 544311.



ELECTRONIC EAVESDROPPING on computers by picking up their stray electromagnetic field—often possible up to distances of 1,000 yards—can be prevented using glass laminates containing a thin metallic layer. The layer has little effect on transparency but prevents electromagnetic radiation.

More from the makers, Security Laminators of Consett, County Durham, on 0207 500000.

Finnish improvement to windscreen production

VEHICLE WINDSCREENS can be made in any size of production run by a programmable furnace developed by Finnish company Tamglass of Vehmaistenkatu 5, PO Box 25, SF-33730, Tampere 73, Finland.

Blanks for different vehicles can be fed in and processed in sequence without interruption. A new bending process is controlled by a microprocessor which stores data on hundreds of different shapes and sizes. From 20 to 50 windscreens can be dealt with per hour.

Tamglass estimates that with an energy efficiency of about 5 kw per square metre, electricity savings alone will repay an investment in the furnace in five years.

VEHICLE location systems will be developed under a joint venture agreed by Securicor and Wimpey.

The experience of Securicor in mobile communications (it is a founder of Cellnet, one of the UK cellular radio networks) and that of Wimpey's subsidiary, Wimpol, in navigation and positioning systems, will be brought together.

Design is already well advanced for a system that will display the location of members of a vehicle fleet at a central operations centre. Demonstrations are planned for this summer.

DUST EXPLOSIONS during activities such as silo loading and in the crushing and grinding of many kinds of product have resulted in loss of life and serious injuries. Their effect can be minimised with special panels offered by BS&B Safety Systems of West London (01-994 1083).

Fitted to the wall of the vessel or structure, these Vent-Saf panels will open rapidly in the event of an explosion, allowing the contents to escape and limiting the rise of internal pressure.

BASE LENDING RATES

ABN Bank	12½%	■ Guinness Mahon	12½%
Allied Dunbar & Co.	12½%	■ Hambros Bank	12½%
Allied Irish Bank	12½%	Heritable & Gen. Trust	12½%
American Express Bk.	12½%	■ Hill Samuel	§12½%
Amro Bank	12½%	C. Hoare & Co.	12½%
Henry Ansbacher	12½%	Hongkong & Shanghai	12½%
Associates Cap. Corp.	12½%	Johnson Matthey Bkrs.	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	13 %
Bank Hapoalim	12½%	Lloyds Bank	12½%
Bank Leumi (UK)	12½%	Edward Manson & Co.	13½%
BCCI	12½%	Meghraj & Sons Ltd.	12½%
Bank of Ireland	12½%	Midland Bank	12½%
Bank of Cyprus	12½%	■ Morgan Grenfell	12½%
Bank of India	12½%	Mount Credit Corp. Ltd.	12½%
Bank of Scotland	12½%	National Bk. of Kuwait	12½%
Banque Belge Ltd.	12½%	National Girobank	12½%
Barclays Bank	12½%	National Westminster	12½%
Beneficial Trust Ltd.	13½%	Northern Bank Ltd.	12½%
Brit. Bank of Mid. East	12½%	Norwich Gen. Trust	12½%
■ Brown Shipley	12½%	Peoples Trust	13½%
CL Bank Nederland	12½%	PK Finans. Intl. (UK)	13½%
Canada Permanent	12½%	Provincial Trust Ltd.	13½%
Cayzer Ltd.	12½%	R. Raphael & Sons	12½%
Cedar Holdings	13 %	Roxburghe Guarantee	13 %
■ Charterhouse Japhet	12½%	Royal Bank of Scotland	12½%
Citibank NA	12½%	Royal Trust Co. Canada	12½%
Citibank Savings	¶12¾%	Standard Chartered	12½%
City Merchants Bank	12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N. East	12½%	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Continental Trust Ltd.	12½%	Whiteaway Laidlaw	13 %
Co-operative Bank	*12½%	Yorkshire Bank	12½%
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 9.80%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13%.

United Biscuits advances by 17%

BY MARTIN DICKSON

United Biscuits, which is involved in a takeover battle with Hanson Trust for Imperial Group, yesterday announced 1985 pre-tax profits of £102.2m, up 17 per cent on £87.2m the previous year.

However, its earnings per share of 19.1p are unchanged from 1984's adjusted figure.

The profit figure—on turnover up 9 per cent from £1.74bn to £1.91bn—was just ahead of United's earlier estimate of about £100m. The final dividend of 5.15p (4.8p), making 8p for the year (7.5p) was announced last month when it launched its bid for Imperial. United's shares closed unchanged at 232p.

Sir Hector Laing, the chairman, said that in the second half all sectors of its business on both sides of the Atlantic had made very significant progress, and he had every confidence that progress would continue.

Sales in the UK had increased by over 10 per cent and trading profits by 14 per cent. The two core businesses, UB Biscuits (including Terry's) and KP Foods, had produced profit increases of 7 and 12 per cent respectively. UB Biscuits had trading profits of £46.6m (£43.6m) and KP £26.7m (£23.9m).

The frozen foods manufacturing division produced its best-ever performance, with sales up by 10 per cent, and profits increased by £2m to £3.1m. However, the wholesale frozen food distribution business had a disappointing year.

The two restaurant chains — Pizzaland and Wimpy—saw combined profits increase by 44 per cent to £10.1m.

In the US, the profitability of Keebler had been severely affected in the first quarter by the continuing "cookie war," but recovery already reported for the second quarter continued throughout the year. Trading profits in dollar terms exceeded those of 1984, though in sterling terms they were down by 2 per cent to £31.8m.

Sir Hector Laing, chairman of United Biscuits

Sir Hector said that by the end of 1985 Keebler's share of the cookie market was 13.5 per cent, its highest ever level. Keebler was the only national biscuit company to have increased its share of the combined cookie and cracker market in 1985.

The profit and loss account includes £14.3m net of extraordinary items (£2.6m), largely due to the closure of the group's Philadelphia bakery. After a £31.1m tax charge (£24.7m), profits attributable total £71m (£62.4m).

Meanwhile, Hanson yesterday announced that it had increased its holding in Imperial to 7.86 per cent. United already holds 14.9 per cent.

● In a separate development, the Takeover Panel issued a statement in reply to a circular from Imperial which had claimed that all of its advertisements attacking Hanson had been "approved" by the Panel.

The Panel said Imperial's statement might lead to misunderstanding. It did not "approve" advertisements for factual accuracy or good taste but merely reviewed them for compliance with the Takeover Code.

See Lex

Jadelle pleased by Macarthys bid lapse

BY TONY JACKSON

THE BID for Macarthys Pharmaceuticals from Jadelle, the company formed by a group of investment trusts for the purposes of the offer, has lapsed. Acceptances by the second closing date yesterday totalled 9.07 per cent, giving Jadelle a total of only 45.67 per cent.

The result is represented by Lazard Bros, advisers to Jadelle, as the desired outcome of a neatly planned operation. John Govett, the investment trust group which was the moving force behind the consortium, can point to a post-bid price of 385p, against a bid price of 285p, and a very handsome paper profit on its first purchases of Macarthys shares 13 months ago at 161p.

According to Mr Peter Grant, deputy chairman of Lazards, Govett has hit upon a way of tackling the perennial problem of the fund manager—how to beat the market. This consists of approaching the market as an industrialist does—looking for companies which would be undervalued were their managements to be replaced, and then going about replacing them.

Govett had already successfully implemented the ploy in the case of Lep Group, the international freight forwarder. Lep's new chairman, Govett-appointed Mr John Reed, is now also a Govett-appointed director of Macarthys.

In Macarthys' case, Govett first moved into the shares in February of last year, had 15 per cent by June, and made its consortium bid at the beginning of January. At the same time the consortium used a second tactic against the incumbent management, that of proposing a shareholders' meeting which would recommend the unseating of the board.

That meeting was never called, nor indeed publicised. Faced with the consortium's near-40 per cent holding even before the bid, the management agreed to step down on condition that the bid terms be slightly improved.

The bid, however, was by then irrelevant; it was never Govett's intention that it should succeed, merely that other shareholders should be made to notice what was going on in Macarthy's boardroom. As Peter Grant puts it, "if they liked the look of what we were doing they wouldn't accept, they'd come along for the ride—which they've done with a vengeance."

And so Macarthy's has a new chairman, Mr Nick Ward, who won his spurs as managing director of the retailing activities of Guinness. He was introduced to Govett in June of last year, when its holding went through the 15 per cent level; and the man who made the introduction, a corporate lawyer named Mr Jonathan Stone, has joined the board, along with the head of the Jadelle consortium, Mr Dwight Makins of Govett.

Meanwhile, says Mr Grant of Lazards, "we'll do this again. Whether the candidate will be in the list of Govett's holdings I can't predict, but it's a sensible way for the institutions to go. Companies are always complaining that shareholders take too short term a view: this involves a longer-term commitment—though, of course, industry has to accept a degree of power-sharing with the institutions as the other side of the coin."

Prestwich agreed bid for Bush Radio

BY CHARLES BATCHELOR

Prestwich Holdings, the video distribution group, is making an agreed £15.5m takeover bid for Bush Radio, which imports and assembles radio alarms, cassette recorders and hi-fi systems.

The deal will broaden Prestwich's product base and improve access to Far East suppliers through Bush's Hong Kong purchasing and technical office. It comes less than two weeks after Prestwich announced agreement on the sale of its opticians chain, Henly's Optical Group.

Bush Radio is a USM-quoted company which acquired the rights to the Bush name from the Rank Organisation in 1981. It has applied the name, which dates from the 1930s, to a range of about 40 consumers electronics products.

Bush made a pre-tax profit of £1.16m on sales of £9.9m in the year ended August 1985.

Prestwich is offering 27 of its own shares for every 25 of Bush. Prestwich's shares rose 5p to 153p yesterday to value its offer at 165p for each Bush share.

There is a cash alternative worth 150p for each Bush share.

Mr Paul Levinson, Prestwich chairman, said he wanted to move the combined group into areas exploited by Mr Alan Sugar's Amstrad group.

Prestwich buys and licences the world media rights for cinema, television and video programmes, as well as selling pre-recorded cassettes.

The Prestwich offer has the backing of the owners of 64.94 per cent of the Bush equity, principally the company's joint founders, Mr Mark Futter and Mr Richard Schlagman.

Full acceptance of the offer would give Bush shareholders 31.4 per cent of Prestwich's enlarged equity and leave Mr Futter and Mr Schlagman the largest shareholders after Mr Levinson.

Newman rejects final offer from McKechnie

By David Goodhart

Newman Tonks yesterday rejected an increased and final offer for it from fellow Midlands manufacturer McKechnie Brothers. The new offer values Newman Tonks at about £65.5m and includes a cash alternative and a profits forecast.

Although the value put on Newman Tonks is only about £5m above the valuation from the original two-for-three share offer it is over £20m above the most recent value. That is because McKechnie Brothers' share price has dropped over 40p since Williams Holdings announced it would not be making a bid for it when McKechnie shareholders narrowly approved the Newman Tonks deal.

Dr Jim Butler, chairman of McKechnie, said that Newman Tonks could no longer argue that the bid was confused by the possibility of a Williams bid. He added: "We have also shown that the bid was not just a defensive ploy against Williams. We are serious about Newman Tonks but we are not also foolish—it is a proper and final offer."

McKechnie said its offer would provide an income increase of at least 30 per cent for Newman Tonks' shareholders. It said the cash alternative represented an exit p/e of 12.6, but this was contested by Newman Tonks which said the real figure was 10.3. It contrasted this with the figure of 16 that McKechnie itself had rejected as totally inadequate when Williams made its offer.

The argument over industrial also logic continued. Mr Butler said the merger would create a group producing a uniquely comprehensive range of architectural hardware, backed by one of the largest and lowest cost producers of plastic components and non-ferrous metals in Europe.

However, Newman Tonks stressed again that its own hardware products were considerably up-market of McKechnie's and sold not through the retail trade but direct to architects. Mr Edward Barnes, Newman Tonks' chief executive, said that shareholders should remember that about two-thirds of McKechnie's business was still in metals and provided no synergy.

The terms of the new offer are: for every 100 Newman Tonks shares, 72 McKechnie shares and £10 in cash. The cash alternative is 133.8p. Assuming full acceptance of the share offer, 27m new shares would be issued representing about 31 per cent of the enlarged share capital.

The forecast for pre-tax profits for the year to July 31 1986 in the absence of unforeseen circumstances is £18m, after exceptional costs of about £1.5m. Earnings attributable to shareholders (before extraordinary items) will, it is predicted, be in excess of £11m. Newman Tonks pointed out that this forecast was at the lower end of market expectations.

Under the revised offer Newman Tonks' shareholders will receive the interim dividend for the current year and not just the final one as under the original offer. McKechnie closed 1p up at 191p and Newman Tonks closed 2p up at 136p.

Dixons denies Woolworth bid

Dixons, the electrical retailer, yesterday denied market rumours that it was mounting a bid for Woolworth. Mr Egon Von Greyerz, a Dixons' director, said: "We are not interested."

A Woolworth spokesman said it had not been approached and added: "Sharp movements in our share price are not unusual, especially in the period leading up to our results, which are due on March 26."

Woolworth shares closed at 583p up 38p, while Dixons gained 10p to 320p.

Coats/Vantona deal unconditional

The agreed merger beween Coats Patons, the Scottish textiles company, and Vantona Viyella was declared unconditional yesterday, with Vantona now controlling 67 per cent of Coats' issued ordinary share capital.

The announcement caused a jump in the shares of both companies, with Coats closing at 275p, up 14p on the day, and Vantona at 466p, up 20p.

Westland rights

The rights issue made by Westland, the helicopter manufacturer, as part of its controversial rescue by UTC and Fiat, has been taken up in respect of 95.16 per cent of the ordinary shares and 93.14 per cent of the convertible cumulative preference shares.

The remainder have been sold for the benefit of the holders who did not take up their entitlements.

Hillsdown hoists profits 77% to record £33m

THE FAST expanding food-dominated conglomerate Hillsdown Holdings has lifted its pre-tax profit by 77 per cent in 1985, from £18.9m to a record £33.4m. There is a final dividend of 3p which lifts the net total from an adjusted 2p to 4.2p.

And joint chairmen Mr David Thompson and Mr Harry Solomon say they are looking for another excellent result in the current year. The group's existing spread of interests place it in a strong position to move forward.

Profits in the first two months have been at encouraging levels. Further progress has been made in improving profitability and developing existing businesses. In addition, there will be the benefit of first time contributions from Pyke and Needlers, and full year contributions from those companies acquired in 1985.

Hillsdown also has share interests of 5.78 per cent in Bassett Foods, 14.97 per cent in Office and Electronic Machines, 7.5 per cent in Brown and Jackson and 9.09 per cent in S. and W. Berisford.

Asked about the group's intention regarding the Berisford stake at a press conference yesterday, Mr Solomon would only say "we are keeping all our options open. We are looking at the position carefully."

He pointed out that Hillsdown was not in the business of share dealings. The group bought stakes in companies which it thought were important or that it might wish to bid for.

In the year end balance sheet there is this time £54.3m representing listed investments. Mr Solomon declined to break down the amount attributable to the Berisford stake.

In their published statement the joint chairmen say 1985 was a year of strong organic growth. Turnover rose by 15 per cent, from £983.2m to £1.13bn, and the operating profit expanded by 47 per cent, from £26.3m to £38.6m. A £2.2m cut to £5.2m in interest charges had a further beneficial effect on the pre-tax balance.

By activity, the operating profit was analysed as to: poultry, eggs and animal feed £17.2m (£10.6m); food processing and distribution £6.9m (£6.2m); fresh meat and bacon £4.5m (£4.7m); stationery and office supplies £4.2m (£1.4m); furniture and plywood distribution £3.4m (£800,000); property £3.1m (£3.5m); travel and other £800,000 (£300,000); less head office costs £1.5m (£1.2m).

The performance of the poultry, egg and animal feed division was the most successful since acquisition in 1982. The stationery side, helped by the major acquisitions of H. J. Chapman and P. S. & E. at the end of 1984, had a particularly successful second half and is continuing to gain market share.

Furniture is providing an increasingly important contribution, the chairmen state. With the purchase of Christie-Tyler and Walker and Homer in th second half making a further substantial contribution, Hillsdown now has the largest furniture group in the UK with a combined total turnover approaching £150m annually.

Of the profit in food processing and distribution, over £5m was earned in the latter part of the year. There were particularly encouraging performances from the Lockwoods/Smedley group of canning and freezing companies, and excellent results from Swan, A. J. Mills and Northam.

FMC suffered a downturn on the red meat side due to combination of heavy imports and general over-capacity in the industry. Bacon and value added pig meat products activities enjoyed an excellent second half, after the industry's problems of 1984.

After tax £2.6m (£500,000) and minorities £700,000 (£900,000), the net attributable profit for 1985 came to £30.1m (£17.5m) for earnings of 16.2p 11.1p. The final dividend costs £3m, Mr Thompson and his wife having waived payment in respect of their beneficial holdings of 97.62m shares—over 52 per cent of the capital.

See Lex

Narrow vote saves North Atlantic trust

By a narrow majority, shareholders in North Atlantic Securities Corporation—part of Morgan Grenfell — have voted not to support liquidation of the investment trust.

At an EGM last week the holders of 5.3m shares voted against liquidation and 4.6m voted for. However a 75 per cent majority in favour would have been reqired to wind up the trust.

The need for the EGM arose when at last December's AGM a resolution calling for the company to remain an investment trust was narrowly lost. It appears that several large shareholders voted against continuation as a protest against what they regard as the trust's poor performance.

Queens Moat buys two hotels

Queens Moat Houses has purchased the 258 room Holiday Inn at Liverpool and contracted to purchase the 201 room Royal Hotel at Nottingham for a total £21.2m cash. They have been professionally valued at £23m.

The acquisition, whose current turnover is in the region of £11m, brings the total of hotels in the group up to 69 with 6,020 bedrooms.

Robinson Bros

Robinson Brothers (Ryders Green), a manufacturer of organic chemicals, achieved a taxable profit of £952,000, against a loss of £121,000 in the year to December 28 1985.

Turnover moved ahead from £16.4m to £18.45m. Available profits emerged at £391,000 compared with £66,000.

Robert Maxwell buys 51% of cable TV film channel

BY RAYMOND SNODDY

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, has become managing partner in Premiere, the cable television film channel.

Mr Maxwell has agreed to take over Thorn EMI's 41.2 per cent stake in the channel and the 9.8 per cent previously held by Goldcrest Films and Television.

This gives Mr Maxwell 51 per cent of the equity in the channel but because it is run as a partnership it does not necessarily give Mr Maxwell control of policy.

Mr Maxwell is paying a nominal sum for the stake in the loss-making channel but in addition is assuming responsibility for future investment. He is not, as earlier believed, taking over any of the past losses of the channel.

As a result of the deal Mr Maxwell is merging his own film channel, MirrorVision, with Premiere and Premiere will be carried on Mr Maxwell's cable television networks from April 1.

This will increase Premiere's number of subscribers from its present 15,000 to 50,000.

Mr Andy Birchall remains chief executive of Premiere. Warner Brothers, one of the original partners in the venture, is pulling out.

In future, the remaining 49 per cent of the equity will be equally divided between Home Box Office, Showtime/The Movie Channel, the US cable programme provider, and Columbia Pictures and Twentieth Century Fox.

Twentieth Century Fox agreed to the acquisition by Mr Maxwell despite the fact that it is now owned by the Daily Mirror publisher's arch rival, Mr Rupert Murdoch.

Walter Lawrence

More than 83 per cent of the 3.86m 8.5 per cent convertible cumulative redeemable preference shares offered by Walter Lawrence via a rights have been taken up.

The shares not taken up have been sold

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Antofagasta¶	22.5	May 9	15	27.5	20
Candover Inv.	4	—	2	4	2
Edinburgh Fund‡	4	—	3	6	4
Federated Housing	2.2	Apr 28	2	3.3	3
Framlington ...int	3	Apr 17	*1.5	—	*5
Hillsdown Hldgs.	3	July 2	*2	4.2	*2
Kleinwort	12	May 16	9	18	14
Microfilm Repro‡ ...int	1	July 1	0.5	—	1.5
Pentos	0.53	July 1	0.35	0.7	0.35
Utd. Biscuits	†5.15	July 1	4.8	8	7.5

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross throughout.

UK COMPANY NEWS

Realised investment gains behind rise at Edinburgh Fund

A 16 per cent rise in pre-tax profits to £4.12m is reported by Edinburgh Fund Managers for the year to end-January 1986. Operating income climbed by 9 per cent to £4.94m.

The company indicates, however, that a substantial part of the pre-tax profit increase came from higher realised investment gains and should be regarded as non-recurring.

The total dividend for the year is lifted from 4p to 6p on an earnings per share up 30 per cent from 12.9p to 16.8p.

In a year of highly volatile exchange rates, the total of funds under management finished strongly at £742m.

A geographical breakdown of funds under management at the end of the year shows that the group is still heavily committed to Japan with 55 per cent of funds invested in that country. A further 22 per cent were UK and 21 per cent in North America.

The figures show that the group made steady increases in its involvement in discretionary segregated funds management—a sector which covers pension schemes. However, this is still only 24 per cent of total funds and investment and unit trusts remain the major areas of fund management.

The board has appointed Mr Iain Watt, a specialist in the pensions field, to strengthen its effectiveness in this area which it regards as of major importance in attracting new business.

● comment

It was not a spectacular year for Edinburgh Fund Managers. It is suffering from the reputation of being a one country investment boutique — Japan — and clients were notoriously reluctant to re-enter the Japanese market when it took off last August, despite EFM's track record in this sector. The group is now trying to rectify its market image by setting up a marketing team and appointing a new advertising agency to show that it has expertise in all world markets including the UK. But it is finding that the pension markets worldwide are not easy to break into. Its link up with Wilmington Trust offers exciting potential for management of US pension fund assets, while its links with General Accident Linked Life assurance should now start producing significant growth. But the benefits are likely in the next financial year, with the costs coming in the current year. The p/e of 17.5 on a share price up 20p to 300p is looking very much into the future.

Kleinwort Benson profits jump 35% to £60m

BY MICHAEL CASSELL

Kleinwort Benson, Britain's largest merchant bank, recorded pre-tax profits of £60.3m in 1985, a 35 per cent increase over the previous 12 months.

Mr Michael Hawkes, Kleinwort's chairman, said the bank had doubled profits in the last two years. The 1985 profits were struck after a transfer to inner reserves. The banking division remained the single biggest contributor, turning in pre-tax profits of £63.2m (£41.6m), of which 50 per cent originated in North America.

Profits from bullion broking fell from £4.9m to £3m while profits from the investment management and unit trust business rose from £5.9m to £7.8m. The residential mortgage business continued to grow and the bank has now made about £200m of loans to home buyers.

The bank's government securities business in the US, which recorded profits of £3.5m in 1984, made a loss of £329,000 in 1985. Mr Hawkes said losses incurred by Chicago-based Kleinwort Benson Government Securities arose from its involvement with two non-licensed government security dealers which collapsed. The Kleinwort operation was temporarily slowed. New top management and traders from New York were brought in. Mr Hawkes said the US business was once more trading profitably.

Kleinwort also disclosed that it has lent £10m to the International Tin Council, secured on tin warrants. If the price stabilises at the level suggested by the London Metal Exchange, however, Kleinwort will not incur any losses. The bank also said it had been forced to make provisions arising out of problems in the Far East shipping market and the collapse of Pan Electric in Singapore.

Kleinwort is paying a final dividend of 12p a share (9p) making 18p (14p) for the year. With the tax charged little changed at 33 per cent, profits after tax were £40.5m (£30.2m). Earnings per share reached 68.69p (54.09p) and shareholders' funds at December 31, 1985 stood at £286m (£253m).

Last week it was announced that 13 eurobond sales and trading staff were leaving Chase Manhattan to join Kleinworts. Mr Hawkes said the bank was now "pretty well kitted out with equity, gilt and bond traders."

Commenting on increasing competition from the US investment banks, Mr Hawkes emphasised that the "enormous profits" being earned by some American competitors "came out of the pockets of their clients." He added: "They have to justify their fees and we can provide just as good a service at half the price. I am not worried about this sort of competition."

● comment

While last year's figures from Kleinwort, Benson are surprisingly good, and the underlying favourable trends should continue for a while, old style profits are of little consequence as attention focuses on the Big Bang. Indeed the dividend increase looks particularly generous at a time when the preservation of capital must be a priority. The bank has no intention of raising new capital and argues that its capital base, disclosed at £466m, is roughly equal to a large US investment bank. Next month the purchase of the outstanding 95 per cent of Grieveson Grant should go through, with the price fixed at £44m payable in shares, some of which may be placed. Kleinwort is relatively well placed in the global market with a securities dealing licence in Tokyo, a government securities business and a financial futures outfit in the US, a swap team at the forefront of swap technology, and various others. Another good year is in prospect, with profits up 20 per cent or so and a p/e ratio dipping below 10, with the shares up 20p yesterday to 775p. But after that is a voyage into the unknown.

Pentos rights as profits surge

Pentos, best known for its Dillons Bookshop and its Athena chain, is to raise £9.9m in a one-for-four rights issue. The graphic art publisher and office furniture company has also announced pre-tax profits of £2.97m (£1.79m) for 1985.

The purpose of the rights issue is to finance £5m in capital investment planned for 1986 and to reduce short-term borrowing requirements.

Some £1.5m is to be spent on expanding and refurbishing Dillons and a further £2m on the Athena poster, card and book retail chain.

In office furniture the group plans to spend £1.5m—of which £500,000 will be for the launch costs of the new Asher Systems range of modular office furniture.

Pentos' 1985 results saw increased pre-tax profits made on slightly lower sales of £51.2m (£51.5m).

The company has declared a final dividend of 0.525p, which makes 0.7p for the year (0.35p previously) on fully diluted earnings per share of 4.39p (2.84p).

The rights issue will see 16.35m new shares and is priced at 63p and will be made on the basis of: one-for-four for existing ordinary shares, 173 ordinary shares for every 400 deferred ordinary, five ordinary for every £12 nominal of loan stock and one ordinary for every £3 of A loan stock.

The issue is underwritten by brokers de Zoete & Bevan and Kitcat & Aitken.

● comment

Pentos has spent several years disengaging itself from engineering, construction, book publishing and in sorting out the problems of Caplan. Now the group is aiming for more fashion conscious image through Athena's pop posters and modular furniture for the upbeat office—although the more upmarket Dillons still accounts for as much in turnover as does the UK retail shops combined. And cards-for-all-occasions provide half of Athena's sales. The rights issue funds should enable Dillons' new look to be completed and for refurbishment of Athena's older stores to continue apace without recourse to an overdraft. As the company expects to end this year with most of the rights cash in the bank the market may be forgiven for asking whether more could have been expected by way of an explanation for the funds intended use. The dilution element is small given existing interest payments on the £2.1m of bank debt. The new shares are being offered at a 20p discount so the theoretical ex rights price should have been 79p. The market shaved a further 2p off this yesterday to close at 77p. With uprated forecasts (mainly for the additional interest income) of £4.7m, the shares are trading on a prospective p/e of 13 assuming the tax rate remains as low.

COMPANY NEWS IN BRIEF

TR PACIFIC BASIN Investment Trust reports earnings of 1.16p for the year ended January 31 1986 (1.12p) and dividend is held at 1p net with final of 0.5p. Year-end net asset value per share 179p (173p). Total revenue £2.1m (£2.45m) and pre-tax £1.32m (£1.34m)—no dollar loan interest this time (£387,000). Tax takes £491,000 (£538,000).

A and M GROUP has bought Beams, formerly part of the Clearwater Group. The acquisition has two south London studios.

ALLIED PLANT Group, involved in plant hire, agricultural equipment and portable cabins, has bought Trevor Crocker & Partners, an international consulting engineer and design practice. Initial price of £600,000 will be met by the issue of 2.73m new ordinary APG shares. Additional payments will be subject to profit performance.

UK COMPANY NEWS

Court rules tomorrow on Rank's challenge to IBA

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Rank Organisation will learn tomorrow whether it has won its High Court challenge to the Independent Broadcasting Authority's decision to block Rank's £753m takeover bid for the Granada Group.

When the hearing concluded yesterday Mr Justice Mann said that, because of the urgency of the matter, he would give his decision tomorrow morning.

As it was a complex case he might have to give his detailed reasons later.

Whatever the judge rules it is expected that the dispute will move rapidly to the Court of Appeal.

Rank has asked the court to quash the IBA's decision to refuse Rank permisison to vote more than 5 per cent of its shares in Granada Group, which includes Granada Television.

Under Granada's articles of association, no shareholder may vote more than a 5 per cent holding unless it is an "approved person" in the eyes of the IBA.

Rank's complaint is that the IBA acted unfairly, and in breach of its duties under the 1981 Broadcasting Act, by not giving Rank a hearing before making the decision.

Mr Robert Alexander, QC, for Granada, said yesterday that the IBA had made a "managerial" decision that came within the field of private law.

It had not been a public law decision, made under its statutory powers, and was therefore not something with which the court could interfere under the judicial review procedure invoked by Rank.

The issue of fairness would only arise if the court held that it had been a public law decision, Mr Alexander said. Then fairness would have to be looked at in the context of the urgency of the matter.

It had been urgent for Rank to know the decision, and urgent for the market, because it had been important that there should not be a false market in Granada shares.

Uppermost in the IBA's mind had been the possible impact on Granada Television. Granada had the qualities the IBA required in a programme contractor and the IBA had feared that some of those qualities might be lost if Rank took the company over.

Mr Alexander disputed Rank's contention that it had had a legitimate expectation that it would only have been the case if there had been regular dealings between Rank and the IBA in takeover situations, or if Rank had been given an express promise of a hearing, he said.

Mr Ian Hunter, QC, for Rank, rejected the suggestion that the IBA had made a managerial decision. The IBA, he said, managed nothing; it discharged important statutory responsibilities under the Broadcasting Act.

The the IBA had pre-judged the issue was clear from its own evidence that nothing that Rank could have said or done could have allayed the IBA's fears about the impact on Granada of a Rank takeover.

Bid deadline extension for Haslemere

By Michael Cassell, Property Correspondent

Rodamco, the Netherlands-based investment trust, has extended the offer deadline on its bid for Haslemere Estates, the UK property development and investment group.

Radamco, which launched its £240m bid for Haslemere in February, holds 24.14 per cent of the property company. Yesterday, it repeated its claim that the 600-p-a-share offer is a fair one and renewed its attack on Haslemere's track record.

Mr Cornelis van Rijn, chairman of Rodamco Property, said in a letter to shareholders that Haslemere had underperformed the property sector for several years and claimed that it would continue to do so until the company adopted a more vigorous policy towards weeding out a number of low-quality buildings within the portfolio.

He added: "You must ask yourself where the Haslemere share price would be in the absence of our offer. On the day before the bid was announced, it stood at only 510p, representing a discount of 23.9 per cent to estimated net assets per share of 670p published by Haslemere's own stockbrokers."

Mr van Rijn said that, applying the same discount to Haslemere's recent revaluation, the shares would now be standing at a price of only 540p, substantially below the offer level. Haslemere's recent revaluation produced a net asset figure of 728p per share.

Mr David Pickford, chairman of Haslemere, said last night: "Rodamco has managed to pick up 30,287 shares since the offer day, which is derisory. Their arguments do not hold water."

Yearlings lower

The interest rate for this week's issue of local authority bonds is 10½ per cent, down ⅛ of a percentage point from last week, and compares with 12⅛ per cent a year ago. The bonds are issued at par and are redeemable on March 18 1987.

A full list of issues will be published in tomorrow's edition.

Cable and Wireless set for listing on Tokyo SE

BY YOKO SHIBATA IN TOKYO

Cable and Wireless is set to become the first British company to gain a listing on the Tokyo Stock Exchange.

The exchange yesterday applied to the Japanese Ministry of Finance for formal approval to list Cable and Wireless shares. This followed a public offering by the company of 8m shares there last December, as part of its wider flotation.

A listing for the shares is expected by early next month—some months ahead of the scheduled start of official Tokyo dealings in British Telecom. Regulatory constraints, which have delayed a quotation for BT, are expected to be surmounted by mid-year.

Only 21 foreign companies are currently listed in Tokyo.

The exchange has been acting in recent weeks to ease its requirements on dividend payment records and other issues in order to allow a speedier consideration of BT's application for a listing.

Under the redrafted rules, companies which were formerly in the public sector would qualify if they had been in existence for at least five years, were transferred to private hands at least a year ago, and had paid dividends over the past year.

Costain Australia up 57%

STRONG performances in mining, civil engineering and property helped Costain Australia boost consolidated net profit after tax by 57 per cent to 1985. The figure was A$8.28m (£4.04m) against A$5.27m for 1984. This was after charging A$13,000 for tax (A$41,000).

The company, 67 per cent owned by Costain Group of the UK, is paying a final dividend of 6 cents (5 cents), making a total of 11 cents (9 cents).

Costain Australia said output from its Ravensworth Mine was 16.4 per cent up on 1984 and coal shipments from the Warkworth Mine 14.7 per cent higher, though the company added that the return on investment from Warkworth was still far from adequate.

The construction division made a loss, as did housing activities in New South Wales and Victoria, but the company believes its improved profitability over the past three years will be maintained, with strong prospects in property development and mining.

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UK COMPANY NEWS

Framlington's profits climb by nearly 80%

A NEAR 80 per cent rise in interim pre-tax profits from £518,000 to £928,000 was achieved by the Framlington Group unit trust managers.

After-tax profits virtually doubled for the period to end-December 1985 from £305,000 to £600,000 and shareholders get their interim payment doubled to 3p.

Total group sales rose by just 5 per cent *from £24.37m* to £25.59m, with the group, like other established unit trust groups, losing market share as the life companies come into the expanding unit trust field.

However, gross profit on sales rose over 30 per cent from £753,000 to £986,000 and management charges by over 70 per cent from £577,000 to £1m following the implementation of a higher charging structure in line with the unit trust industry.

Expenses of publicity costs climbed by a third from £907,000 to £1.22m, partly reflecting the expansion in business and personnel. This left operating profit up by more than 80 *per cent to £769,000.*

Investment and other income of the group climbed by two-thirds to £159,000 against £95,000.

The legal and other costs associated with the agreements with Credit Commercial de France and with Laurence, Prust & Co, amounting to £79,000 were treated as extraordinary items.

● comment

Framlington had a good first half result despite growing competition in the unit trust field. Its decision to put up its charges in line with the industry started to pay off during the period with not only higher fees, but more business from the higher promotions made possible from the higher charges. But the best is still to come for the group and the market *is expecting an even* better second half. First, it will get the full benefit of the higher charges. Second, it already has under its belt the highly successful launch last month of its European Fund which attracted £23.2m. Its link up with the major French banking concern Credit Commercial is already paying off and the acquisition of the discretionary fund management of Laurence, Prust on Big Bang day will project it into the pension fund management sector. The market is looking for pre-tax profits for the year at least 50 per cent higher to £2.3m with an eps of at least 36p. *The p/e of 14.5 on a share* price up 40p to 525p indicates that the potential is not yet fully realised by the market.

Candover expands and doubles dividend to 4p

AN INCREASE of 18 per cent in net value and an upsurge *of 73 per cent in pre-tax profit* has been achieved in 1985 by Candover Investments, the management buy-out specialist.

The dividend is being doubled to 4p net per share.

In what is described as an active year, the group made 16 investments including the £61m *buy-out of Caradon, comprising* most of the former building products division of Reed International. This was Candover's largest transaction to date.

At the year-end net assets attributable to ordinary shares stood at £14.18m, or 198p per share, compared with £12.02m *or 168p. Profit before tax came* to £756,000, against £267,000; when adjusted for interest of £171,000 saved following the repayment of loan notes when Candover's shares were listed in December 1984, the increase over last year is 73 per cent.

Investment income was £607,000 (£435,000), financial services £762,000 (£253,000), and investment dealing £214,000 (£213,000) for total income of £1.58m (£916,000). Earnings were shown at 6.21p (3.42p) per share.

Looking to the future, the directors say the flow of *interesting projects continues* at a satisfactory level, and the trading prospects of the companies in which Candover has already invested are in general encouraging.

Subject to the stock market remaining favourable, a number of the companies in which Candover and the Hoare Candover Fund have holdings expect to obtain a listing this year.

The principal transaction announced since the year-end was the buy-out of Swan Hunter Shipbuilders, the first privatisation organised by the company.

Also, in partnership with Electra Investment Trust, the Electra Candover Direct Investment Plan was established under which £260m has been committed by over 35 institutions, principally in the UK and US, to finance the equity portion of large UK-based management buy-outs.

● comment

The market has been well contented with Candover Investments since its flotation just over a year ago. But to judge *from yesterday's 15p rise in the* share price to 218p it was not ready for an 18 per cent increase in asset value and a great leap forward in income. The rise in asset value—*half as much again* as the investment trust average —was particularly encouraging given that there were only two small realisations during the year. *Candover's portfolio now* contains several likely candidates for flotation or takeover, which should mean another good year for its investments in 1986, market conditions permitting. While the group continues to focus its efforts on management buy-outs, it also considers other ventures and has taken a £100,000 stake in Eddie Shah's Today. Management buyouts seem to be getting larger and more plentiful—last year's buyout of Reed's building products division was Canover's largest yet, and a major reason for the three-fold rise in fee income. The £250m pool of funds put together jointly by Candover and Electra should broaden Candover's horizons and give its investors a leveraged way in to larger deals.

Microfilm rises to £0.68m

Microfilm Reprographics, a USM-quoted microfilming bureau, has announced a substantial increase in pre-tax profits for the six months to end-December 1985.

On turnover ahead from £1.49m to £3.76m, the pre-tax result has jumped from £190,000 to *£684,000, and the directors* say that sales in January and February were significantly higher in all divisions than in the comparable period last year.

They are lifting the net interim dividend to 1p (0.5p).

Turnover and profits for Datacom have been included from July 1 1985.

BTR Canadian sale

***BTR**, the industrial holding* group, is selling the Canadian tyre business acquired as part of the Dunlop takeover last year to **Dunlop Tire Corporation**, the former Dunlop US tyre business bought out by its management.

Dunlop Canada Inc is a trading company with no manufacturing operations.

Federated Housing ahead and seeks full listing

Federated Housing, the Surrey-based housebuilder with a USM quote, raised pre-tax profits in 1985 for the fifth year running. They improved by 16 per cent from £1.25m to £1.45m though interest charges went up *from £248,000 to £619,000.* Turnover was down from £17.27m to £13.53m.

Federated, which was floated *in November 1983, is now applying* for a full listing and expects dealings to start soon after April 7.

The *proposed* final dividend is 2.2p (2p) bringing the year's total to 3.3p (3p). Earnings per share moved up from 8.4p to 9.5p.

Mr Peter Meyer, the chairman, said that though 1985's turnover reflected a substantial second-half increase, the figure fell short of management's targets because bad weather slowed progress on three big developments.

He pointed out that the gross margin had improved from 12 per cent to 20 per cent and predicted that the higher margin should be maintained in 1986, *coupled with a substantial* increase in turnover.

Antofagasta nears £7.5m

Antofagasta Holdings raised its 1985 profits by £1.1m to £7.48m and says the improvement reflected satisfactory results by the railway operation in Chile.

Earnings rose from 62.1p to 107.8p and a final dividend of 22.5p lifts the total by 7.5p to 27.5p gross per £1 share.

Turnover amounted to £15.24m (£16m). Tax fell to *£466,000 (£2.3m) and exchange* and inflation totalled £1.62m (£77,000).

The directors say appreciation of sterling against the US dollar and Chilean peso resulted in an exchange loss.

BOARD MEETINGS

TODAY

Interims—Belam; Consolidated Gold Fields, Coronation Syndicate, Lawtex, A. and J. Mucklow, Old Court International Reserves, Tweefontein United Collieries.

Finals — BTR, Cement-Roadstone, William Collins, Guest Keen and Nettlefolds, Liberty Life Association of Africa, J. N. Nichols (Vimto), Systems Designers, Ultramar, United States Debenture Corporation.

FUTURE DATES

Interims—

BM	Mar 18
Logica	Mar 18
MAI	Mar 17
Minerals Oils and Resources Shares Fund	Mar 26
Prestwich	Mar 17
Sirdar	Mar 19

Finals—

Barrow Hepburn	Mar 24
Boddingtons Breweries	Mar 20
Britoil	Mar 20
Bronx Engineering	Mar 20
Cambridge Electronic Industs.	Mar 17
Fisher (James)	Mar 17
Grampian Holdings	Mar 24
Highlands and Lowlands	Mar 21
Leisuretime International	Mar 13
Manders	Mar 27
Matthews (Bernard)	Mar 26
Morrison (Wm.) Supermarkets	Apr 3
Octopus Publishing	Mar 20
Rowntree Mackintosh	Mar 13
Slough Estates	Mar 13
Smith and Nephew	Mar 20
Superdrug Stores	Mar 20
Tesco	Mar 28
Weir Group	Apr 3
World of Leather	Mar 13

FT COMMERCIAL LAW REPORTS

No indemnity from charterers for shipowners' cargo damage liability

BENLINE SHIPPING (Private) LTD v AN BORD BAINNE ("The C Joyce")
Queen's Bench Division (Commercial Court): Mr Justice Bingham: March 4 1986

SHIPOWNERS WHO are liable under bills of lading for damage to cargo carried on a chartered ship, but who would not have been liable for such damage under the charterparty, are not entitled to indemnity from charterers in the absence of express or implied terms to that effect in the charterparty; and in defending a claim for indemnity the charter is not precluded from denying the shipowners' liability on the ground only that he was notified of the claim against them and of a proposed settlement.

Mr Justice Bingham so held when allowing an appeal by charterers, An Bord Bainne of Dublin, from a decision of arbitrators on an interim award that they were liable to indemnify shipowners, Benline Shipping (Private) Ltd of Singapore, in respect of liability for damage to cargo.

* * *

HIS LORDSHIP said that the C Joyce was chartered under a charterparty in the Gencon form, dated December 29 1973.

Pursuant to the charterparty the charterers shipped consignments of bagged milk powder at Amsterdam and Falkenburg.

Bills of lading, each containing a clause paramount, were issued in respect of the cargo. On discharge of the vessel in South Africa cargo damage claims were made by cargo owners against the shipowners under the bills of lading.

The shipowners informed the charterers of the proceedings and invited them to take over the defence on the ground that the ultimate responsibility would rest with them.

The charterers did not accept that invitation; nor did they accept that they would be ultimately liable for any claim the cargo owners might establish.

The shipowners settled the South African claim for R83,900. They also incurred costs in resisting the claim.

They claimed against the charterers to be indemnified against the settlement sum and costs, *pleading in the arbitration* that the damage was caused by penetration of seawater.

The questions of law for the arbitrators were (a) whether the charterers were liable to indemnify the shipowners in respect of liability to cargo interests under the bills of lading: and (b) whether the charterers were estopped from denying that the shipowners were liable under the *bills of lading, had reasonably* settled, and had incurred costs in resisting the claim.

The arbitrators concluded that the charterers were bound to indemnify the shipowners.

Clause 2 of the Gencon form current in 1973 relieved the shipowners of liability for damage to cargo save on proof *of their personal want of* due diligence or default, unless caused by improper or negligent stowage not performed by the shippers. There was no suggestion of bad stowage in the present case.

The standard clause 9 was replaced by typed clause 17, which provided that the master was to sign and issue bills of lading on completion of loading; and another typed clause provided that all bills of lading were to include a clause paramount.

It was therefore expressly agreed that bills of lading should be in terms which would expose the shipowners to liability under the Hague Rules.

The charterparty contained an indemnity clause, clause 13. It read "Indemnity for non-performance of this charterparty, proved damages not exceeding estimated amount of freight."

Mr Caldin, for the shipowners, rightly accepted that he could not claim indemnity on the basis of an express contractural undertaking. Any right to indemnity must depend on implication. He contended that such a right was necessarily to be implied into the terms of the charterparty contract, and was necessary to give that contract business efficacy.

The question was whether it was necessarily to be implied from all the relevant terms of the charterparty that, if the shipowners should become liable to a bill of lading holder on grounds that would not make them liable to the charterers under clause 2, they should be entitled to be indemnified by the charterers against that liability.

There was no such implication. It was clearly stipulated that all bills of lading signed under the charterparty should include the clause paramount. *That necessarily* exposed the shipowners to Hague Rules liability to an indorsee of bills.

The contract terms gave no hint that the parties intended the shipowners to be indemnified. Clause 13 certainly did not achieve that result, and could not reasonably have been thought to do so. There was no obvious lacuna which the court could fill to give effect to what the parties *must* have intended.

For similar reasons implication was not necessary to give the contract business efficacy.

The shipowners accepted there was no decided case on which they could rely as showing they were entitled to indemnity on such facts as the present.

In *Moel Tryvan [1907] 1 KB 809* and *Elder Dempster (1909) 15 Comm Cas 49* shipowners were held to be entitled to indemnity against charterers. But crucial to both decisions was a finding of disparity between the bills which the charterers were entitled to present under the charterparty, and the bills which they did present.

In the present case the charterers were not in breach of contract in tendering the bills of lading.

There was no ground on which the court could or should imply into the charterparty an undertaking to indemnify.

The estoppel for which the shipowners contended was based on paragraph 313 of *Halsbury's Laws of England, Vol 20 (4th ed)* which stated that if the indemnifier, having been put on notice of the impending proceedings, refused to act "he will, in general, be estopped from denying the validity of the judgment or the reasonableness of the compromise."

To succeed the shipowners must establish as a matter of law, *that the charterers, having* been given notice of the claim in South Africa and the claim having been settled, were estopped from contesting shipowners' liability, reasonableness of the compromise and the incurring of costs, though there was no express contract of indemnity and they *bona fide* and on reasonable grounds challeneged the right to indemnity.

No such principle could be clearly found in the authorities. Nor was it desirable to lay down such a far-reaching principle.

It was however a large stride and common practice for a defendant to give notice of a claim against him and of any proposed settlement to a person against whom he intended to seek indemnity, if that person was not joined as third party.

It was however a large stride from a common sense tactical practice to a rule of law.

The rule contended for would present charterers with a choice between taking over the defence of a claim which they believed to be nothing to do with them, or thereafter (if that belief was falsified) finding themselves bound to indemnify though the claim could be shown to be ill-founded or the settlement un*reasonable*.

The shipowners' argument on estoppel was therefore rejected.

However, the holding that the charterers were not liable to indemnify differed from that of the arbitrators, and the award was therefore remitted to them to re-draft in the light of the court's decision.

For the shipowners: Giles Caldin (Richards Butler & Co).

For the charterers: Ian Hunter QC and Angus Glennie (Clyde & Co).

By Rachel Davies
Barrister

APPOINTMENTS

Group chief for Marley

Mr George Russell has been appointed group chief executive of MARLEY. He was managing director of British Alcan Aluminium.

*

ALEXANDER STENHOUSE UK has appointed Mr Ian S. Croft as overall divisional director for Scotland. Mr Bruce Drysdale becomes regional director for West Scotland and Mr Bill Greig for East Scotland.

*

THE BRITISH AVIATION INSURANCE COMPANY has appointed Mr P. F. Duerden as a director on the resignation from the board of Mr I. L. Rushton. Mr Duerden is managing director of Royal Insurance (UK), operating company for the Royal Group in the UK.

*

BURNETT & HALLAMSHIRE HOLDINGS has appointed **Mr G. H. Edwards** to the board as group finance director from April 1. He was group finance director of Dobson Park Industries.

*

GRUNDY (TEDDINGTON) has appointed **Mr James Hamilton** as group executive and managing director. He was chief executive of the MKR Group, part of Charter Consolidated.

*

Mr Donald H. Coombe has been appointed chairman of PORTCULLIS INSURANCE SERVICES and **Mr Donald Webster-Sinclair** becomes its company secretary. Mr Webster-Sinclair has also been made company secretary of RTC, Lloyd's brokers and its subsidiary associated companies.

*

Following the recent management buy-out of Bison Concrete, **Mr Charles A. Fraser** has been appointed chairman of BISON HOLDINGS, the parent company. He is a senior partner in the legal firm of W. & J. Burness, Edinburgh, and a director of a number of companies including United Biscuits (Holdings), Grosvenor Estate Commercial Development, British Asset Trust, and Scottish Widows Fund and is chairman of Morgan Grenfell (Scotland). The other directors of Bison Holdings are **Mr Derek Hankinson, Mr Robin Pugsley,** and **Mr Basil Larsen. Mr Donald MacDonald,** a founder director of MacDonald Orr has also been appointed a director.

*

RS COMPONENTS has appointed **Mr Grant F. Rabey** to the board, responsible for finance, management information systems and order processing. He joins from Avon Cosmetics, where he was a director of manufacturing.

*

Mr I. R. H. Beattie and **Mr D. Prescott** have resigned as director of James Neill Holdings, wholly-owned subsidiary, SPEAR & JACKSON INTERNATIONAL. Mr Prescott will continue as managing director of Spear & Jackson (Industrial).

*

Mr Edward Thompson has been appointed finance director of WARDLE STOREYS and will assume his duties early in April. Mr Thompson joins the company from Wilkinson Sword Group.

*

Mr John L. Barrons has resigned from the board of the PRESS ASSOCIATION, being no longer eligible to serve following his departure from Westminster Press. **Sir Richard Storey**, chairman of Portsmouth and Sunderland Newspapers, has been co-opted to the board to fill the vacancy.

*

Dr John Penney has been appointed *managing director* (designate) of the electronics division of MITSUBISHI ELECTRIC UK. He was previously general manager, telephones and personal communications, at STC Telecommunications. Initially, Dr Penney will run Mitsubishi's electronics operations jointly with former division manager **Mr Hisao Okada**, who has also been appointed to the board.

*

Mr Roger Ollerton has joined BROOKES AND VERNONS (MIDLANDS) in Birmingham as client services director. He joins from the Graham Poulter Partnership where he held a similar position.

*

Dr Alan Rudge has been appointed to the board of RICARDO CONSULTING ENGINEERS. He is managing director og ERA Technology, and will serve in a non-executive capacity.

*

JEFFERSON SMURFIT GROUP has made **Mr Tony Smith**, previously managing director of Smurfit Paper Mills, divisional managing director of the paper and board division, embracing Burnley Paper Mill Alders Paper Mill, Smurfit Paper Stock, Smurfit Paper Mills, Central Waste and Hammond Metal.

*

HILL SAMUEL INVESTMENT SERVICES GROUP has appointed **Mr Mark E. Tennant** to the board. He joins from Fidelity International, where he was a director of institutional client communications and marketing. He will have overall responsibility for the group's private client services.

*

Mr Ernest H. Sharp has been appointend a non-executive director of MECCA LEISURE GROUP. He was a joint managing director of Grand Metropolitan from 1964 to 1980, and from 1977 until recently he was a director of Pleasurama. His other major business interests include directorships of Unigate and House of Fraser.

*

Mr Rob Irving has been appointed to the board of CULLEN'S HOLDINGS as personnel director. He was personnel director of one of the Imperial Group retail companies.

*

Following the appointment of **Mr Chips Keswick** as chairman and chief executive of HAMBROS BANK (Financial Times, March 6), *the following have become* directors of the bank: **Mr J. D. Blumson, Mr T. F. Candy, Mr C. G. E. Palmstierna, Mr R. A. Thomas, Mr R. A. Thomson, Mr K. T. Williams** and **Mr C. E. Wilson.**

*

HABITAT MOTHERCARE has appointend **Mr Denis Cassidy**, deputy chairman of Storehouse, and chief executive and managing director of British Home Stores to the board.

*

Mr Anthony Rentoul has been appointed secretary of THE DAILY TELEGRAPH in succession to **Mr Tony Hughes** who recently joined the board as finance director.

*

COMPREHENSIVE MARITIME INSURANCE SERVICES has been formed by W. E. Cox and Co (Recoveries), Richards Hogg International Adjusters, and Robert Lyon and Co. It will offer a claims settlement, recovery, loss adjustment, and inspection survey service, and undertake on-site surveys of construction projects and loss prevention in connection with marine and non-marine insurance, and quality control. Executive directors are **Mr Alan Reynolds**, from W. E. Cox, and **Mr Ron Hipkin** from Richards Hogg.

*

Dr Ivan Dunstan has been appointed director general of the BRITISH STANDARDS INSTITUTION from June 1. He succeeds **Mr Derek (Spike) Spickernell** who is to retire. Mr Spickernell remains board member for international affairs, in his capacity as vice president of the International Organization for Standardization, until December 31 1987. Dr Dunstan has been standards director of BSI since 1983. Before joining BSI he was director of the Building Research Establishment at Garston for four years and previously had been director of materials quality assurance in the procurement executive of the Ministry of Defence.

*

Mr Martin Jones has been appointed general manager of McDONNELL DOUGLAS INFORMATION SYSTEMS, Hemel Hempstead.

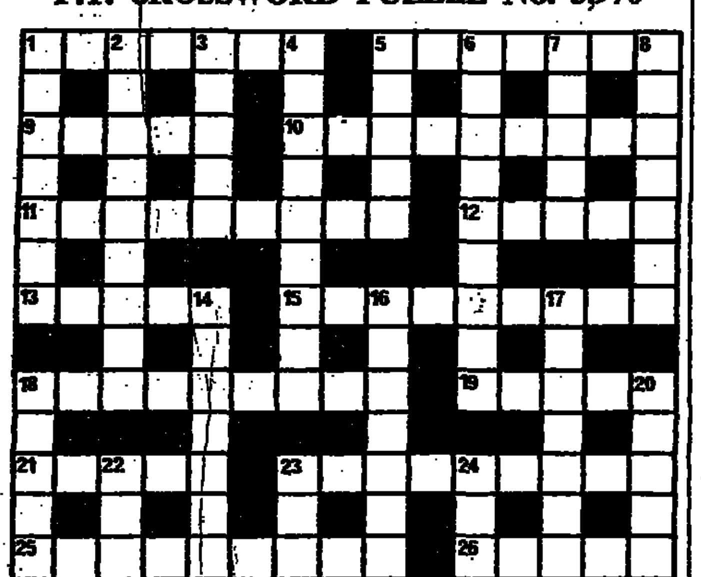
*

Mr Geoff Miller, a deputy general manager of BARCLAYS BANK, becomes a general manager on June 11. **Mr Bill Keatinge**, a corporate finance director of the bank in London, has been appointed general manager in the Netherlands, based in Amsterdam.

*

EMESS LIGHTING has appointed **Mr John Sidwell** to the Group Board. He is chief executive of Marlin Electric, a company acquired by Emess last August.

F.T. CROSSWORD PUZZLE No. 5,970



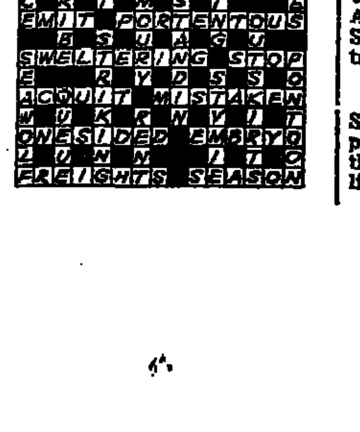
ACROSS

1 It's smart to know a young bird! (7)
5 Tickling master's back before exercising (7)
9 Walk between the seats (5)
10 Worn out by midnight, rode off with a criminal (9)
11 This play may be older, ma'am (9)
12 The Job Centre say "why, in all possibility it's true!" (5)
13 Spoke at length with old copper on beat (5)
15 Turning in, slept and was abducted (9)
18 Entering old-fashioned public school, set off (9)
19 Rugby returned it before getting bored (5)
21 Said I'd dropped Monsieur Jack back after the dance (5)
23 Black Rock Ravine in colour (9)
25 He attacks the last Asian doctor (9)
26 Back to promote the Railway Journal (5)
27 Attack man with very little money (7)
28 The soldiers ate outside, being exhausted (7)

DOWN

1 Delighted when the Conservative leader gets hurt (7)
2 Broke in; thereupon fifty escape (9)
3 Massage Ken clumsily, taking little notice (5)
4 Novel place to sell a card game (9)
5 After mid-day, ring a man back about the smell (5)
6 Gun trained on every worker that's discourteous (9)
7 A cream top for the girl outside (5)
8 The clothes went before being mangled (7)
14 Tease Lisa terribly when French aunt comes round (9)
16 Devoted theologian consumes iced tea concoction (9)
17 Lace or woolly kept in pin case from China (9)
18 Cheated, putting new cars in shed (7)
20 The song in the act is put off till later (7)
22 He was given some tablets (5)
23 Cunning airmen will find themselves in court (5)
24 The Italian leader and I moved here (5)

Solution to Puzzle No. 5,969



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	127.5	136.4	+0.1	0.90
Income & Growth	58.2	62.3	+0.7	3.00
Special Situations	74.2	79.4	+0.9	4.40
American Growth	32.6	34.9	−0.1	0.70
Japan Growth	45.1	48.3	+0.1	0.00
European Growth	55.3	59.2	+0.5	2.30
UK Growth	51.5	55.1	+0.9	0.80
Pacific Growth	38.7	41.4	−0.3	0.10
High Income	29.9	32.0	+0.3	8.40
Practical Income Units	48.5	51.6	+0.2	2.30
Practical Accum. Units	87.2	92.8	+0.4	2.30

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	84.3	89.7	+0.6	2.46
Accum Units	124.6	132.6	+0.9	2.46
Pearl Inc.	112.4	119.6	+1.3	4.21
Pearl Unit Tst.	119.3	126.9	+1.1	3.27
(Accum. Units)	204.2	217.2	+1.9	3.27
Pearl Intl Equity	115.2	122.5	+0.4	1.71
(Accum Units)	115.2	122.5	+0.4	1.71

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	250.4	268.7	+2.3	1.23
Income	180.5	193.3	+0.2	5.06
Worldwide Recovery	140.9	151.2	+0.9	1.90
American Growth	68.4	73.4	+0.3	0.97
Intl. Emerging Cos.	76.5	82.3	+0.7	0.62
Far East Growth Fd	60.8	65.3	+0.5	1.06
European Growth Fd	53.2	57.1	+0.3	2.0

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc	55.1	58.6xd		4.69
Prolific Far East	130.7	140.5	−1.3	0.25
Prolific Extra Inc.	79.0	83.8	+0.9	5.16
Prolific Conv. & Gilt	91.6	97.1xd	+0.8	8.73
Prolific High Inc	167.9	178.0	+1.9	4.19
Prolific Intl	100.1	107.6	+0.4	1.29
Prolific N. Amer	138.2	148.6	+0.1	2.16
Prolific Spec. Sits	187.8	199.1	+1.7	1.35
Prolific Technology	112.7	121.3	+0.1	0.54

Providence Capital Fd. Mgrs. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	211.0	226.8	−1.8	2.24
(Accum. Units)	239.2	254.7	−2.1	2.24
(Withdrawal Units)	154.2	164.2	−1.5	2.24
Australian Fund	112.0	119.3	+0.5	0.97
(Accum. Units)	113.2	120.6	+0.5	0.97
British Fund	542.3	577.5	+7.9	4.20
(Accum. Units)	730.5	777.9	+10.6	4.20
European Fund	248.4	264.7		0.89
(Accum. Units)	261.5	278.6		0.89
Japan Fund	246.9	263.0	+0.3	0.39
(Accum. Units)	247.6	263.8	+0.3	0.39
Sants PPP	146.6	154.4		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst	377.8	401.9	+5.9	1.99
North America	55.0	58.5	−0.1	1.93
Far East	61.3	65.2	−0.5	0.87

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU — 01-606 6010

American Growth Acc.	29.3	31.1		1.60
American Income Acc.	29.0	30.9	−0.1	4.00
American Income Inc.	28.7	30.5	−0.1	4.10
European Growth Acc.	45.1	48.0	+0.3	1.00
Far East Growth Acc.	33.4	35.6	−0.2	0.70
Int. Growth Acc.	30.6	32.5	+0.1	0.8
Japan Growth Acc.	41.2	43.8	−0.2	0.3
UK Growth Acc.	34.4	36.6	+0.3	2.0
UK Income Acc.	29.4	31.3	+0.1	4.0
UK Income Inc.	28.6	30.6	+0.1	4.1
Managed Growth Acc.	35.9	38.2	+0.3	2.0
Managed High Yield Inc.	42.3	45.0xd	+0.1	6.7
Managed Income Inc.	31.2	33.2		3.8

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	256.2	271.1		3.61
Equity Acc.*	308.3	326.2		3.61
Fixed Inc. Dist.†	120.0	124.3		10.88
Fixed Inc. Acc.†	176.0	182.3		10.88

*Prices on Mar 3. Next dealing Mar 12
†Prices on Mar 5. Next dealing April 2

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$16.01		-0.07	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$15.81		-0.04	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$14.08		-0.03	—
Dynamic Gwth Fd	$13.51		....	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$21.47	12.18	..	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.35		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.78	9.56	14.06	6mth
7-day Fnd	12.79	9.56	14.06	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.63	9.44	13.80	6-Mth
7-day Fund	12.54	9.37	13.70	6-Mth
Dollar	6.43	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	11.50	8.50	12.53	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.00	8.97	13.26	Qtr
Mth. Inc. Chq.	12.00	8.97	13.36	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	12.60	9.42	14.05	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.70	8.74	13.00	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252091				
High Int. Cheque	12.00	8.875	13.11	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	12.00	8.97	13.3544	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.25	9.16	13.64	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	—	9.05	13.47	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	9.50	7.10	10.41	Qtr

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk.	35
BSR	8	NEI	10
BTR	33	Nat West Bk.	55
Babcock	23	P & O Dfd	39
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	24	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	15	Thorn EMI	34
Charter Cons.	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Cocoa price up sharply as pact hopes revive

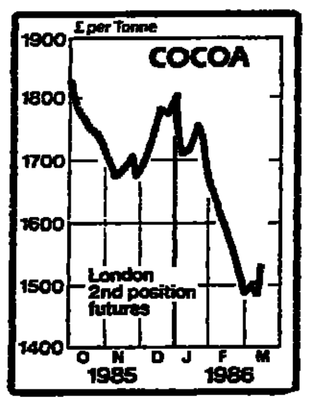
By Ivo Dawnay in Brussels

NEGOTIATIONS on a new International Cocoa Agreement which broke down dramatically last week following the walk out of the Ivory Coast now seem to be on again following an apparent change of heart by President Felix Houphouet-Boigny.

Officials of the European Commission, who tentatively suggested there had been a turnabout yesterday, now think that talks aimed at renewing the pact may begin in earnest in July.

But there remains some uncertainty as to the formal position of the Ivory Coast's Government.

Reports of an apparent agreement on renewing negotiations provoked a strong recovery of cocoa prices yesterday and officials at the United Nations Conference on Trade and Development (Unctad), which oversees the pact, welcomed the apparent breakthrough.



Confusion over the cocoa talks began at the end of last month when the Ivory Coast surprised both fellow producer countries and the consumer states by unexpectedly abandoning the negotiations at a point when the agenda for discussion was about to be drawn up.

Abidjan's decision, once confirmed, prompted the EEC—the largest consumer group—to announce that it too would abandon the pact as meaningless without the producer which accounts for some 26 per cent of world output.

Discussions immediately began on how to set about winding up the agreement.

However, when Mr Lorenzo Natali, the Development Commissioner, visited the Ivory Coast on a long-standing engagement last weekend, Mr Bra Kanon, the agriculture minister, is understood to have suggested that the talks might now resume.

Preliminary discussions are now expected in London in June, followed by a resumption of the full negotiation in July.

The reasons for the Ivory Coast's see-saw attitude to a new pact are unclear. But it is understood that several elements in the package including the level of median prices, the prospect of fluctuating rates during the year and general unhappiness with EEC trade policy are among them.

However, it was made clear yesterday that Abidjan is ready to see "economic elements," by implication a deal on prices, in a new accord.

Richard Mooney writes: Reports of the change in the Ivorian attitude to the pact brought a quick response on the London futures market, which was also buoyed up by a strong overnight recovery on the New York market.

The May position in London, which had fallen by more than £300 since the start of the year, rallied by £52.50 to end the day at £1,536.50 a tonne.

Pessimism about prospects for a new pact and the possibility of the existing 100,000 tonnes buffer stock having to be liquidated have been largely responsible for the price slide in recent weeks.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,650-2,720.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.25-3.40.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.73-0.78, sticks, 0.77-0.81.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 9.70-10.00.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 225-235.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.65-2.75.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.40-6.55.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 53-61.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.35-2.38.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

Confrontation looms in Australian coal industry

BY PATRICIA NEWBY IN MELBOURNE

STRIKES ARE likely to disrupt the Australian coal industry over the next few weeks as miners press their claims for a A$60 to A$70 a week pay rise. And the Queensland Government has backed away from a head-on clash with the militant coal unions over the State Government's proposed legislation to outlaw strikes in export industries.

Yesterday the Coal Industry Tribunal started hearings into the miners' claim but adjourned the hearings until Friday because talks are continuing in some workers in Queensland.

The unions and employers have already failed to agree on fundamental issues. The coal owners wanted the unions to undertake that there would be no industrial action while the pay hearings were taking place and that they would abide by the decision of the Tribunal—the arbitration body for the industry.

The unions, however, said they had already been given a mandate from membership for industrial action, including strikes in support of the pay claim, and they could not give an assurance that the Tribunal's decision would be accepted.

Although coal owners are opposing the miners' pay claims, the Australian Coal Association, which represents owners, said they would prefer disputes to be settled through the Tribunal rather than through the proposed anti-strike legislation—at least in the short term.

The controversial legislation, which would attempt to outlaw strikes in export industries, was introduced into the Queensland Parliament last week following the February strike by coal miners.

After talks with coal company representatives, the Queensland Industrial Affairs Minister, Mr Vince Lester, has agreed to delay passage of the legislation until after the Coal Industry Tribunal hearings into the miners' pay claims.

Apart from coal, the legislation would affect sugar, beef, grains and all other items exported overseas or interstate.

Queensland coal union officials have warned that the legislation will be met with an immediate strike and prolonged industrial action. A union spokesman said millions of dollars of union funds would be transferred out of Queensland to avoid paying fines if the legislation were passed.

The coal industry in Queensland and New South Wales can ill-afford a major confrontation with unions as stockpiles are at low levels following the Christmas holiday break and the one week strike last month.

However, the companies can also ill-afford the pay claims being sought by miners. Coking coal prices are under pressure because of world oversupply and steaming coal prices and tonnages are likely to be depressed by the fall in oil prices.

Aid boost for cane growers

BY PATRICIA NEWBY

AUSTRALIA'S EMBATTLED sugar cane growers received some good news this week with the announcement that the Queensland state government is to provide a further A$24m in grants over the next three years. The Queensland Cane Growers Council has accepted the offer for up to A$8m a year for the next three years to help the industry with interest on stock holdings and advance payments.

This brings to around A$50m the non-repayable direct contribution offered by Queensland and will put pressure on the federal Government to accept full responsibility for its price support scheme.

The federal Government has offered A$150m in price support over the next three years but so far has insisted that, since most of the sugar industry is in Queensland, the state government should contribute.

Queensland has in turn refused to contribute, saying price support is a federal matter. However most commentators see the latest offer by the Queensland government as little short of price support.

Growers prefer direct payment price support, but the state government's latest offer may be accepted by the federal Government as sufficient assistance.

The state and federal primary industry ministers meet in Brisbane on Friday to try to come to some resolution of the issue, which has left the financially hard-pressed cane growers in uncertainty for many months.

US and EEC officials seek to calm farm trade friction

BY ANDREW GOWERS IN WASHINGTON

SENIOR agriculture officials from the US and the EEC are to make another attempt today to dampen growing trade friction provoked by farm export subsidies and by the accession of Spain and Portugal to the Community.

Both issues will head the agenda during routine talks in Brussels between Mr Daniel Amstutz, Under Secretary for International Affairs at the US Department of Agriculture, and senior representatives of the European Commission. Mr Amstutz will also have a meeting later in the week with Mr Gerrit Braks, the Dutch Agriculture Minister.

The US delegation's visit comes amid signs of an attempt on both sides to lower the temperature of their dispute over export subsidies. Last autumn, the Reagan Administration announced that it would complain to the General Agreement on Tariffs and Trade (GATT) over the EEC's restitution payments on wheat. The Community retaliated by threatening a similar action over the US's Export Enhancement Programme, which is designed to win back markets lost to the Community by awarding exporters with a bonus in the form of surplus commodities. Since the scheme was launched last summer, the US has spent about $140m on subsidising the sale of some 3.25m tonnes of produce.

However, the US is now understood to have told the EEC that it does not intend an immediate action before the GATT and would prefer to continue bilateral consultations on the issue.

"The question is, how can we both get ourselves out of this embarrassing situation where we've both threatened to take each other to the GATT," said one official involved this week.

US officials now appear to be going out of their way to underline the similarities between EEC and US export subsidies, particularly since the passage of the new US Farm Act, which makes the Export Enhancement Programme mandatory. They believe that this change of tack may improve the prospects for negotiating with the Community over agricultural trade rules.

None the less, US Administration remains seriously concerned at the possibility that the EEC will step up its offloading of surplus produce on the world market later this year, as suggested by the Commission during the current European farm price negotiations.

On the other major current bone of contention, the diminished opportunities for US farm exports in the Spanish and Portuguese markets following their accession to the EEC, the two sides remain far apart.

The US has complained vociferously over the Community's alleged failure to notify it formally of the adverse impact that enlargement would have on its exports. It also wants compensation for any loss of grain exports to Spain, and objects to the reservation of 15 per cent of the Portuguese grain market for EEC suppliers and the setting of a temporary import quota for soya beans in Portugal.

Feelings are running high in Congress on this question. A group of 21 Senators, including the Senate majority leader, Mr Robert Dole, has written to President Ronald Reagan calling on him to retaliate against the EEC by withdrawing equivalent trade concessions.

Bringing Portuguese farms into the 20th century

BY DIANA SMITH IN LISBON

PORTUGAL HAS the highest farm population and lowest farm productivity in the EEC. This glaring discrepancy moved the European commission to design a special programme called PEDAP (Special Programme for the Development of Portuguese Agriculture), that for the next decade will pump 700m ECUs into modernising Europe's most inefficient farm sector, not only through funding but also through technical assistance.

The programme is an undoubted windfall for Portuguese farmers. But the special character of Portuguese agriculture, divided into 900,000 tiny plots of less than 10 hectares, worked by methods that in most European countries were abandoned in the 19th century, indicates that 10 years may not be enough for the average small farmer to learn how to make optimum use of the EEC's common agricultural policy.

The bleak outlook for Portuguese farming is spurring the Government to promote EEC aid and eventual competition as the best cure for low productivity, and to end a bizarre pricing system where grain producers enjoy prices well above EEC averages for yields often only a quarter of the Community's and quality that leaves much to be desired.

Over the next decade some Portuguese farm prices will travel downwards until they meet EEC averages, abandoning unrealistic levels encouraged by state over-subsidisation, inefficiently-run seed and fertiliser monopolies and overmanning in the grain belt, where a Portuguese farmer may employ 26 or 30 hands on a 400 hectare spread while his Danish or British counterpart uses 2 men for the same-sized farm, and manages to get double the yield per hectare.

The vulnerability of its agriculture led Portugal to negotiate long transition periods so that most EEC farm produce may not be imported for up to seven years — while Portuguese produce can start penetrating EEC markets after two or three years.

Otherwise fruit or vegetable growers would be flattened fast by cheaper, better-quality EEC produce. Only a few, understanding that EEC accession meant opportunity for exports as well as challenge on the home market, have invested in market gardening. And dairy co-operatives have sought association with EEC counterparts like Danish dairies, in search of new technology and strong market penetration for high-quality milk and yoghurt.

A few enterprising non-Portuguese growers have invested solidly in exportable commodities — watercress and iceberg lettuce in the sunbaked Algarve are being exported by British entrepreneurs. Dutch and German growers are producing household plants for export. The Portuguese authorities hope these successful ventures will inspire Portuguese investors to follow suit.

Meanwhile the Agriculture Minister, Mr Alvaro Barreto, expects the first effects of EEC accession to show by the end of this year, thanks to an initial input of about Esc 15bn ($90m) in EEC and Portuguese state funds.

Access to the European Farm Fund (Feoga) will allow the Government to start work on vital projects; and hereafter about Esc 40bn a year will be pumped into Portuguese agriculture. The EEC will supply Esc 23bn and the Portuguese state Esc 17bn.

The money will be spread over infrastructures — rural roads, electrification, irrigation and drainage, where in many cases the EEC will lend up to 75 per cent of cost or pay direct grants—agro-industrial development, where the EEC can provide up to 70 per cent of investment rather than the standard 50 per cent, price support systems, improved quality and competitiveness, training schemes for farmers, recycling—coaxing farmers to cease growing unviable crops in the wrong areas at the wrong time of year—price and market information systems and storage facilities.

Previous articles in this series appeared on February 26, March 5 and March 7.

LONDON MARKETS

THE COFFEE price pendulum continued on the upswing in the London futures market yesterday, but remained within the recent wide trading range. The May position added £52 to Monday's £14 rise as the firm tone in the New York market helped London traders to ignore the bearish influence of sterling's strength against the dollar. The world sugar market was also firm with nearby prices on the London futures market finishing around $5 higher and just below 16½-month highs. Once again the Thailand operations led the way and the uptrend was fuelled by reports of enquiry for white sugar by Pakistan and Bangladesh. There was also talk of resumed Indian buying for another 100,000 tonnes. The cocoa market reversed its recent downtrend as reports from Brussels that the Ivory Coast was rethinking its stance on the International Cocoa Agreement prompted a £52.50 rise in the May position to £1,536.50 a tonne. LME prices supplied by Amalgamated Metal Trading.

INDICES

FINANCIAL TIMES

Mar. 11	Mar. 10	M'th ago	Year ago
[illegible]	[illegible]	[illegible]	298.70

(Base: July 1 1952=100)

REUTERS

Mar. 11	Mar. 10	M'th ago	Year ago
1635.7	1633.7	1646.1	2036.7

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Mar. 10	Mar. 7	Month ago	Year ago
Spot	129.47	129.05	—	116.30
Fut.	133.71	133.14	—	120.41

(Base: December 31 1931=100)

* Not available due to suspension of tin LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 11 1986	+ or −	Month ago
METALS			
Aluminium	$1255-275	+15	$1170-190
Free Market			
Copper			
Cash h Grade	£986	−12	£980
3 mths	£1007.5	−8.5	£1006.25
Gold Troy oz	$343.62	+1.25	$336
Lead Cash	£247	−3	£256.75
3 mths	£257.5	−2.75	£268.25
Nickel			
Free Mkt	165-205c		178-198c
Palladium oz	$100.25	−3.25	$99.50
Platinum oz	$402.4	−4.5	$358.25
Quicksilver	$220-230		$220-250
Silver troy oz	385.70p	+3.0	415.90p
3 months	396.65p	+3.15	428.60p
Tin cash			
3 months			
Tungsten	$62.78		$65.62
Wolfram 22.0lb	$54-61		$56-63
Zinc	£427.5	+1.0	£422.5
3 months	£441.75	+0.25	£430.5
producers	$650-670		$650-670
OILS			
Coconut (Phil)	$285y	−5	$337.5
Palm Malayan	$242.5v		$310
SEEDS			
Copra Phil	$185y	+5	$225
Soyabean (U.S.)	$222.9		$234.9
GRAINS			
Barley Fut. May	£116.1	−0.1	£116.75
Maize	£144.0		£146.00
Wheat Fut. May	£118.1	−0.25	£119.25
No. 2 Hard Wint.			
OTHERS			
Cocoa Ft. May	£1536.5	+52.5	£1669.5
Coffee Ft. May	£2621.5	+52.0	£2566.5
Cotton A Index	52.70c		54.90c
Gas Oil Apr.	$137.25	+7.25	$154.25
Rubber (kilo)	60.0p		61p
Sugar (raw)	$162.5	−1	$146.5
Wooltops 64s	416p kilo		428p kilo

$ Unquoted. † Per 75-lb flask. c Cents a pound. v May. y April-May. z March-April. x April.

ALUMINIUM

	Unofficial close (p.m.)	+ or −	High/low
Cash	787-8	−2.0	
3 months	814.5	−2.25	819/811

Official closing (am): Cash 785-6 (783-3.5); three months 811-1.5 (814-4.5); settlement 786 (783.5). Final Kerb close: 815.5-16. Turnover: 13,700 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	985.5-6.5	−12.0	983/983
3 months	1007.5	−8.5	1015/1005

Official closing (am): Cash 983-4 (985-6); three months 1004.5-5.5 (1004.5-5); settlement 984 (985). Final Kerb close: 1007-8.

CATHODES

Cash	983.5	−8.0	982/982
3 months	1003.5	−9.0	

Official closing (am): Cash 982-3 (984-5); three months 1002-4 (1004-5); settlement 983 (985). Turnover: 26,250 tonnes. US Producer prices 68.00-73.00 cents per pound.

LEAD

	Unofficial close (p.m.)	+ or −	High/low
Cash	246.5-7.5	−3.0	246/246.5
3 months	257-8	−2.75	258/255

Official closing (am): Cash 245-5.5 (243-3.5); three months 255.5-6 (255-5.5); settlement 245.5 (242.5). Final Kerb close: 257-8. Turnover: 3,600 tonnes. US Spot: 18.00-20.00 cents per pound.

NICKEL

	Unofficial close (p.m.)	+ or −	High/low
Cash	2790/800	−40.0	
3 months	2870-5	−32.5	2895/2870

Official closing (am): Cash 2810-5 (2835-45); three months 2885-90 (2915-20); settlement 2815 (2845). Final Kerb close: 2875-85. Turnover: 906 tonnes.

TIN

Kuala Lumpur Tin Market—Close 17.89 ringgit per kg down 1.12 ringgit.

ZINC

High grade	Unofficial close (p.m.)	+ or −	High/low
Cash	427.5	+1.0	435.5/426.5
3 months	441.5-2	+0.25	445.5/440

Official closing (am): Cash 426.5-7.0 (419-20); three months 440.5-1 (435.5-6.5); settlement 427.5 (420). Final Kerb close: 440-0.5. Turnover: 3,975 tonnes. US Prime Western: 30.50-35.75 cents per pound.

GOLD

Gold rose $1¼ an ounce from Monday's close in the London bullion market yesterday to finish at $343½-344. The metal opened at $341½-$341¾ and traded between a high of $343¼-$344¼ and a low of $341-$341½. Volume was rather thin with the dollar's weaker trend the only obvious factor affecting sentiment.

GOLD BULLION (fine ounce) Mar. 11

Close	$343½-344	(£234¼-235¼)
Opening	$341¼-341¾	(£235¼-236)
M'n'g fix	$341.65	(£235.946)
Aft'n'n fix	$342.90	(£234.783)

GOLD AND PLATINUM COINS

Kr'g'rnd	$346-347	(£237¾-238¼)
½ Krug.	$181-182	[illegible]
¼ Krug.	$93-94	[illegible]
1/10 Krug.	$37¾-38½	[illegible]
Mapleleaf	$353¼-354	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	$81¼-82¼	[illegible]
½ New Sov.	$49-50	[illegible]
Old Sov.	$81¼-82¼	[illegible]
$20 Eagle	$430-470	[illegible]
Noble Plat	$414-419	[illegible]

MEAT

Pig prices held their firmer trend underpinned by stronger physical demand. Beef futures showed further gains with April gaining, reports Eastern Capital-CCST.

PIGMEAT	Y'day close	+ or −	BEEF Y'day close	+ or −
	p. per kilo deadweight			
April	104.90	−1.0	195.00	+0.50
May	104.50	−1.0	193.50	+5.50
June	103.50	+1.0	193.50	+2.50
July	103.00	—	190.00	—
Aug	103.0C	−0.40	183.50	−1.50
Sept	109.70	−0.70	183.50	−1.00

Pigmeat: sales 12 (80) lots of 50 carcases, 3,250 kg. Beef sales: 11 (10) lots of 20 sides. MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 96.15p per kg lw (−0.52); GB—Sheep 221.79p per kg est dcw (+7.53); GB—Pigs 78.31p per kg lw (+0.41).

COCOA

Origin selling provided some early restraint in a steady futures market but the belief that a new cocoa agreement might yet be negotiated spurred buying through limit-up levels. Prices closed near the day's highs at the end of an active session. Manufacturers expressed little interest, reports Gill and Duffus.

COCOA	Yesterday's close	+ or −	Business Done
	£ per tonne		
March	1550-1566	+55.5	1561-1514
May	1535-1538	+52.5	1541-1486
July	1569-1571	+51.5	1572-1525
Sept	1593-1600	+57.0	1602-1554
Dec	1623-1625	+51.0	1628-1587
March	1651-1655	+49.5	1657-1615
May	1670-1678	+50.0	1676-1659

Sales: 6,559 (3,520) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for March 11: 97.88 (93.31); five-day average for March 12: 95.10 (94.84).

COFFEE

Mixed trading kept levels steady but a lack of fresh fundamental or technical news stopped the market making any major moves. Physical interest appeared to be just below the market encouraging levels to close £50 above Monday's close, reports Drexel Burnham Lambert.

COFFEE	Yesterday's close	+ or −	Business Done
March	2565-2568	+50.0	2565-2515
May	2620-2623	+52.0	2625-2582
July	2676-2680	+40.5	2688-2655
Sept	2735-2740	+40.0	2740-2719
Nov	2765-2775	+41.0	2775-2758
Jan	2795-2805	+45.5	2805-2790
March	2795-2840	+32.5	—

Sales: 3,454 (1,896) lots of 5 tonnes. ICO indicator prices (US cents per pound) for March 10: Comp. daily 1979 207.78 (207.24); 15-day average 205.54 (203.68).

SOYABEAN MEAL

The market opened unchanged and in featureless trading conditions values drifted slightly in extremely quiet trading, reports Muirpace.

	Yesterday's close	+ or −	Business Done
	£ per tonne		
April	132.0-133.0	—	—
June	128.5-129.0	—	—
Aug	128.5-129.0	—	—
Oct	130.0-131.0	—	130.5
Dec	132.0-133.5	—	—
Feb	134.0-136.0	—	—

Sales: 51 (77) lots of 20 tonnes.

SILVER

Silver was fixed 3p an ounce higher for spot delivery in the London bullion market yesterday at 385.7p. US cent equivalents of the fixing levels were: spot 561c, up 6.1c; three-month 571.3c, up 6.4c; six-month 581.5c, up 6.2c; and 12-month 602.05c, up 6.4c. The metal opened at 386-388p (563-566c) and closed at 384-387p (563-565c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	385.70p	+3.00	385.00p	[illegible]
3 months	396.65p	+3.15	396.00p	[illegible]
6 months	407.10p	+2.75	—	
12 months	427.40p	+2.10	—	

LME—Turnover: 8 (4) lots of 10,000 oz. Cash, high 386p, low 383p, three months high/low 394p. Final kerb 395-7p.

GRAINS

Old crop eased on weaker country markets before rallying on Commission House buying while new crops traded narrowly on long liquidation, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterd'ys close	+ or −
Mar	115.75	−0.15	115.15	−0.20
May	118.10	−0.25	116.10	−0.10
July	119.30	−0.15	—	—
Sept	102.15	−0.10	97.60	−0.20
Nov	104.60	−0.15	100.15	−0.10
Jan	105.95	[illegible]	102.75	−0.20

Business done—Wheat: March 115.75-5.55, May 118.20-8.00, July 119.20-9.10, Sept 102.15-2.00, Nov 104.60-4.50, Jan 105.95-5.80. Sales: 222 lots of 100 tonnes. Barley: March 115.15-3.00, May 116.20-6.00, Sept 97.60 only, Jan 102.75 only. Sales: 81 lots of 100 tonnes.

JUTE

JUTE—March-April c and f Dundee: BTC $430, BWC $420, BTD $360, BWD $360. c and f Antwerp: BTC $400, BWC $400, BTD $350, BWD $350.

RUBBER

PHYSICALS—The London market opened quiet with very little consumer interest throughout the day and closed slightly easier, reports Lewis and Peat. Closing prices (buyers): Spot 60.00p (60.50p); April 59.00p (59.50p); May 59.50p (60.00p). The Kuala Lumpur April fob prices (Malaysia/Singapore cents) per kg: RSS No 1 was 198.0 (199.0) and for SMR 20 197.0 (198.0).

US MARKETS

DOLLAR weakness prompted buying in precious metals and copper but uncertainty with regard to the eventual outcome of the London tin crisis kept buying somewhat subdued, reports Heinold Commodities. Sugar achieved new contract highs primarily on technical considerations. Speculation that the Ivory Coast may return to talks on a new international cocoa agreement and dollar weakness sparked a sharp rally in cocoa.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	57.30	—	—	57.20
April	57.60	—	—	57.50
May	57.80	58.20	57.70	57.70
July	58.10	58.45	58.10	58.05
Sept	58.45	—	—	58.45
Dec	59.15	—	—	59.15
Jan	59.35	—	—	59.40
March	59.75	—	—	59.85
May	60.20	—	—	60.35
July	60.65	—	—	60.85

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	1990	2008	1995	1944
May	2010	2050	2001	1992
July	2053	2085	2041	2040
Sept	2085	2109	2075	2067
Dec	2115	2143	2110	2100
March	2152	2168	2185	2125

COFFEE "C" 37,500 lb.

	Close	High	Low	Prev
March	253.56	254.25	250.25	248.50
May	256.50	257.00	252.70	251.33
July	259.18	259.18	256.25	255.18
Sept	262.00	262.00	258.25	258.00
Dec	263.00	263.00	260.00	259.00
March	263.50	263.50	260.00	260.00
May	263.50	263.50	262.25	259.75
July	262.50	262.50	259.00	261.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	65.25	65.80	65.50	65.60
April	65.55	—	—	65.90
May	66.00	66.70	65.90	66.85
July	66.55	67.20	66.40	66.90
Sept	66.80	67.30	66.75	67.15
Dec	67.20	67.90	67.60	67.60
Jan	67.35	—	—	67.75
March	67.65	68.05	67.95	68.05
May	68.00	—	—	68.40
July	68.35	—	—	68.75

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
May	63.35	63.35	62.49	62.66
July	64.15	64.15	63.35	63.43
Oct	43.30	43.50	53.30	43.30
Dec	43.40	43.48	43.16	43.27
March	44.45	44.45	44.30	44.29
May	45.30	45.30	45.25	45.21
July	45.75	45.75	45.70	45.55

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Close	High	Low	Prev
April	12.85	13.49	12.80	12.85
May	13.05	13.80	13.00	13.18
June	13.30	14.00	13.20	13.30
July	13.50	14.20	13.35	13.49
August	13.70	14.40	13.70	13.68
Sept	14.03	14.65	14.03	13.87
Oct	14.25	14.85	14.20	14.06
Nov	14.20	14.70	14.20	14.25
Dec	14.55	15.25	14.55	14.44
Jan	15.20	—	—	14.69

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	343.5	342.6	342.6	341.9
April	344.9	345.5	343.2	343.3
May	346.7	—	—	345.6
June	348.6	349.4	346.8	347.0
Aug	352.3	352.5	350.7	350.7
Oct	355.9	355.5	355.0	354.3
Dec	359.8	360.4	358.5	358.2
Feb	363.7	363.0	363.0	362.1
April	367.3	367.0	366.8	365.7
June	371.2	—	—	369.6
Aug	375.3	—	—	373.7
Oct	379.6	—	—	378.0
Dec	384.1	—	—	382.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	High	Low	Prev
April	46.80	47.90	46.15	45.83
May	41.85	43.70	41.50	40.87
June	39.75	41.60	39.60	39.12
July	39.70	41.30	39.50	39.02
August	40.20	41.70	40.20	39.50
Sept	41.90	42.25	41.80	40.15
Oct	42.80	43.00	43.00	40.90
Nov	43.00	44.00	43.00	41.65
Dec	44.00	44.75	43.70	42.40
Jan	45.40	45.40	45.00	43.20

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	88.55	89.60	88.40	87.70
May	88.55	89.15	85.80	87.15
July	88.60	89.20	85.70	86.95
Sept	86.40	87.20	89.00	85.65
Nov	86.45	87.30	85.50	85.95
Jan	86.70	87.80	87.00	86.45
March	87.60	88.50	87.50	87.25
May	88.10	89.00	88.00	87.80
July	88.10	89.00	89.00	88.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	311.4	411.0	402.0	403.4
Oct	413.6	414.0	407.0	405.4
Jan	415.8	410.5	408.5	407.4
April	417.8	413.6	412.0	409.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	567.5	568.0	562.0	560.0
April	569.8	—	—	562.3
May	573.5	576.0	565.0	566.0
July	580.5	581.0	574.0	573.0
Sept	587.7	587.5	581.0	580.2
Dec	598.2	596.0	592.5	590.7
Jan	602.0	—	—	594.5
March	609.2	608.0	600.0	601.7
May	616.6	—	—	609.1
July	624.1	—	—	616.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	7.15	7.19	6.71	6.73
July	7.43	7.45	6.97	6.99
Sept	7.50	7.57	7.14	7.12
Oct	7.58	7.60	7.20	7.27
Jan	7.72	7.40	7.40	7.38
March	8.01	8.10	7.68	7.75
May	8.15	8.16	7.96	7.93
July	8.28	8.28	8.12	8.13

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
April	58.60	59.67	58.60	60.16
June	58.57	59.27	58.20	59.50
August	57.07	57.85	56.77	57.82
October	56.12	56.55	55.85	56.65
Dec	57.95	58.35	57.50	58.50
Feb	58.15	58.25	58.10	58.60
April	58.20	58.20	58.00	58.00

LIVE HOGS 30,00 lb, Cents/lb

	Close	High	Low	Prev
April	40.17	40.20	39.22	39.80
June	44.02	44.16	43.25	43.72
July	43.97	44.20	43.67	3.95
August	42.50	42.85	42.40	42.52
Oct	39.55	39.80	39.40	39.80
Dec	1.17	41.45	41.05	41.32
Feb	41.27	41.50	41.20	41.40
April	38.00	38.75	38.00	37.80
June	40.60	40.60	40.60	40.52

PORK BELLIES 38,000 lb, Cents/lb

	Close	High	Low	Prev
March	56.00	58.20	54.95	55.72
May	57.37	57.75	56.35	57.17
July	58.30	58.75	57.30	58.25
August	57.10	57.75	56.45	57.35
Feb	59.40	60.25	59.00	59.80

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
March	534.0	536.0	532.6	536.2
May	534.6	537.6	534.0	536.6
July	539.0	541.4	538.2	540.2
August	538.0	539.6	537.0	538.4
Sept	524.0	526.4	523.4	523.0
Nov	521.0	523.0	518.2	518.4
Jan	531.0	532.0	527.6	528.4
March	541.0	542.0	538.0	538.4
May	539.4	549.4	547.0	546.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	159.2	159.9	159.0	159.8
May	160.2	161.0	160.0	160.8
July	160.9	161.5	160.7	161.5
August	160.8	161.3	160.5	161.0
Sept	156.0	157.0	155.7	156.5
Oct	153.5	154.0	152.0	152.7
Dec	154.4	154.5	153.5	153.7
Jan	155.50	155.50	154.50	155.00
March	156.7	—	—	157.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	17.22	17.40	17.04	17.24
May	17.52	17.6	17.33	17.54
July	17.86	17.97	17.66	17.87
August	18.03	18.10	17.85	18.00
Sept	18.05	18.15	17.95	17.97
Oct	18.15	18.25	18.06	18.10
Dec	18.50	18.60	18.35	18.50
Jan	18.70	18.72	18.55	18.65
March	19.08	19.10	18.90	19.00
May	19.25	—	—	19.30

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
March	233.2	235.2	232.4	233.4
May	230.4	233.2	230.2	232.0
July	227.6	230.6	227.4	230.2
Sept	211.2	213.0	211.0	212.4
Dec	207.0	209.0	206.6	209.0
March	216.4	218.0	216.4	218.0
May	220.2	221.2	220.0	221.4

WHEAT 5,00 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
March	347.0	352.0	346.4	351.0
May	296.2	303.0	296.0	302.2
July	256.0	260.0	256.2	259.0
Sept	257.2	261.4	257.0	259.6
Dec	268.2	272.4	268.0	271.0
March	272.0	276.4	272.0	275.0

SPOT PRICES

SPOT PRICES—Chicago loose lard 13.00 (13.25) cents per pound. Handy and Harman silver bullion 563.0 (559.0) cents per troy ounce.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent May 123.75 transhipment east coast: US No 2 soft red winter June-July 95.75; EC first half March 143; English feed fob March 118.50 seller, April 119.00 buyer, April-June 120.50-121.50, Sept 101.00-102.00, Oct 103.00-104.00, Oct-Dec 106.00, Jan-March 111.50 sellers, April-June 116.50 buyer east coast. Maize: US No 3 yellow/French transhipment east coast March 144 seller. Barley: English feed fob March 116.00 buyer, Scotland April 118.75, April-June 121.00 seller, July-Aug 98.50 seller, Sept 100, Oct-Dec 104, Jan-March 110 buyers. Rest unquoted.

HGCA—Herewith today's locational ex-farm spot prices: Feed Wheat: S. East 12.70; W. Mids 13.00; N. West 15.60. Feed Barley: S. East 113.00; S. West 114.10; W. Mids 109.60; N. West 110.10. The UK monetary coefficient for the week beginning Monday March 17. (based on HGCA calculations using five days exchange rates) is expected to remain unchanged.

SUGAR

LONDON DAILY PRICE—Raw sugar $162.5 (£112.5), down $1.00 (down 50p) a tonne for March/May delivery. White sugar $186.5, down 50c.

Prices rallied strongly making new highs for the move following high priced sales of Thai raws operator to operator, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne F.O.B.		
May	159.2-159.6	152.0-152.2	161.0-151.0
Aug	166.0-166.8	158.2-158.2	167.0-156.6
Oct	170.0-170.4	162.0-162.2	170.6-161.2
Dec	174.0-175.4	165.0-165.8	—
Mar	181.0-181.6	172.6-173.6	177.2-172.4
May	184.0-186.0	176.0-176.0	—

Sales: 2,306 (2,218) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £217.0 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for March 10: Daily price 6.35 (6.41): 15-day average 5.95 (5.89).

PARIS—(FFr per tonne): May 1350/1352; Aug 1385/1390; Oct 1425/1430; Dec 1450-1465; Mar 1495/1510; May 1550/1575. Sales: 301.

POTATOES

Market quiet, recouping recent losses and consolidating in thin volume. April-May spread trading again featured strongly, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	102.50	100.80	102.50-101.0
May	111.90	109.90	111.90-110.5
Nov	79.50	79.00	79.50-79.00
Feb	87.50	86.50	—
Apr	101.30	100.60	101.00

Sales: 55 (1,415) lots of 40 tonnes. Earlies—July 91.30, +0.3; Aug 72.50, −5.0; Sept 67.50, −7.5. Sales: 0 (0) lots of 10 tonnes.

FREIGHT FUTURES

Despite reasonable physical activity no new direction in the tanker market appears to have emerged over the past few days with the result that futures values have remained static amidst thin trading conditions, reports Clarkson Wolff.

Futures values fell today as the improved physical levels seen of late failed to show positive signs of continuation.

	Close	High/Low	Prev.
	Dry Cargo		
April	845.5/846	851/840.5	865/854
July	752/750	754/750	756/750
Oct.	860/855	864/864	864/863
Jan.	862/860	860/860	870/863
April	965/932	—	948/940
July	830/803	—	832/810
Oct.	925/875	—	920/885
Jan.	940/870	—	935/975
BFI	742	—	741

Turnover: 99 (81).

	Close	High/Low	Prev.
	Tankers		
Mar.	815/800	810/810	880/815
April	788/774	790/785	800/785
May	795/776	790/790	809/775
June	765/733	760/750	770/730
Sept.	975/955	—	995/950
Dec.	1000/985	—	995/985
BTI.	862	—	865

Turnover: 92 (38).

OIL

Brent traded thinly for April and May at sharply higher prices. Nymex WTI for April opened 15c up and traded 19c up at 1.30 pm EST. Fuel oil was stable in quiet trade. Better-than-expected fuel oil demand was placed against less-than-anticipated supplies. Naphtha and Mogas very quiet. Gasoil firmed with more buyers than sellers of prompt oil reported.—Petroleum Argus London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	11.10-11.40	+0.10
Brent Blend	13.40-13.50	+0.85
W.T.I. (1pm est)	12.88-13.88	+0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	155-160	—
Gas Oil	196-198	+9.0
Heavy fuel oil	92-95	—
Naphtha	117-119	−0.5

GAS OIL FUTURES

Month	Yesterd'ys Close	+ or −	Business Done
	$ US per tonne		
April	184.50	+9.50	155.50-46.50
May	137.25	+6.25	139.50-33.50
June	132.50	+5.25	135.75-30.00
July	131.00	+3.50	134.50-31.00
Aug	133.00	+3.75	135.50-31.00
Sep	135.50	+3.50	138.50-31.50

Turnover: 4,867 (5,006) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel (Close, change, business done): Index 12.83, −0.48; 13.30-14.50; July 13.10-14.50; Aug 13.10-April 13.20-14.20; May 12.80-13.50; June. Turnover 0 (0) lots of 1,000 barrels.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

The dollar failed to sustain a rally above DM 2.2800 against the D-mark yesterday and eased back to below DM 2.27 as sellers once more gained the ascendancy. Some correction to Monday's sharp improvement had been inevitable and after a quiet morning, activity picked up as the US unit failed to attract any follow-through buying. A number of US economic statistics are due for release later this week and may provide some clue on the performance of the US economy.

However, with last week's round of interest rate cuts now out of the way, the market reverted to its bearish trend in the absence of any other factors to influence trading. The dollar closed at DM 2.2650, down from DM 2.2800, and Y179.95 compared with Y180.65. Elsewhere it slipped to SFr 1.9205 from SFr 1.9305 and FFr 6.9575 against FFr 7.0125. On Bank of England figures, the dollar's exchange rate index fell from 118.8 to 118.0.

STERLING — Trading range against the dollar in 1985-86 is 1.4860 to 1.0625. February average 1.4297. Exchange rate index 74.4 after an opening of 73.9 and Monday's close of 73.7. The six months ago figure was 79.8.

£ IN NEW YORK

Close	Mar. 11	Prev. close
£ Spot	$1.4560-4570	$1.4460-1.4470
1 month	0.63-0.60pm	0.63-0.58pm
3 months	1.94-1.90pm	1.95-1.84pm
12 months	4.55-4.40pm	4.74-4.64pm

Forward premiums and discounts apply to the US dollar.

Sterling benefited from the dollar's decline and showed useful gains against most European currencies. The current attraction of UK interest rates and continued strength in gilt and equity markets may have increased demand for sterling. A 1 per cent rise in sterling M3 and overall bank lending higher by £1.5bn were taken by the market as broadly neutral and the prospects of an early reduction in clearing bank base rates did not appear to upset sterling. The pound touched a best level of $1.4620 against the dollar before closing at $1.4560, up from $1.4445 on Monday. Against the D-mark it rose to DM 3.2975 from DM 3.2950 and Y261.75 compared with Y261.0. Elsewhere it finished at FFr 10.1350 from FFr 10.13 and was unchanged against the Swiss franc at SFr 2.7975.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.1990. February average 2.3310. Exchange rate index 134.5 against 123.8 six months ago.

The D-mark improved against the dollar as the latter failed to sustain a rally above DM 2.2800. It closed at DM 2.2640 down from DM 2.2840 on Monday. Earlier in the day it had been fixed at DM 2.2739 without any intervention by the Bundesbank. Dollar sentiment remained bearish with US economic data due later this week likely to provide some clue as to current US economic performance.

JAPANESE YEN — Trading range against the dollar in 1985-1986 is 263.15 to 178.95. February average 184.545. Exchange rate index 191.8 against 157.4 six months ago.

Trading was rather quiet in Tokyo yesterday with the yen confined to a narrow range. The dollar closed at Y180.00, up from Y179.90 on Monday but down from Y180.30 in New York. There was very little to influence trading after last week's round of discount rate cuts and the market appeared still to be trying to assess the dollar's performance over the short term. Elsewhere the D-mark fell to Y79.32 from Y80.16.

POUND SPOT—FORWARD AGAINST POUND

March 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar 2.72-2.67c pm. 12-month 4.65-4.55c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EXCHANGE CROSS RATES

Mar. 11	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Mar. 11	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Further peaks

Sterling interest rate contracts rose on the London International Financial Futures Exchanges yesterday, while US Treasury bond futures were also firm, but Eurodollar futures finished unchanged, at the day's low.

Long term gilts for June delivery opened higher at 121-20, encouraged by the overnight strength of the US bond market. The contract touched a high of 122-01, a new peak, but fell back as selling developed in US bonds, to close at 121-10, compared with 120.30 on Monday.

June short sterling began at 89.27, and rose to a high of 89.40, before finishing at 89.28, compared with 89.22 previously.

Apart from the strength of the US bond, with buying in the Far East a factor behind the strong opening on Liffe, sterling contracts were also boosted by the mid-February UK money supply and bank lending figures.

The market was looking for a rise of 0.75 per cent to 1.25 per cent in sterling M3, with some forecasts ranging up to nearly 2 per cent. The increase of 1 per cent was therefore well received, and coupled with a rise of £1.5bn in overall bank lending — in line with the average over the preceding six months — did not dispel hopes of a cut in clearing bank base rates in the near future.

June US Treasury bonds also touched a contract high, at 97-17, encouraged by a fall below 8 per cent in the yield on the cash long bond. No major US economic statistics are due for publication until Thursday, when retail sales figures will be released, but expectations of further weak data for February, and speculation about an easing of US monetary policy, added to demand. Although selling developed, taking the June contract back to 97-03 at the London close, compared with 96-15 on Monday, dealers commented that the only reason was profit taking, and that the market remains generally very nervous of being short.

CURRENCY MOVEMENTS

Mar. 11	Bank of England Index	Morgan Guaranty Change %
Sterling	74.4	−17.7
U.S. dollar	118.0	[illegible]
Canadian dollar	78.4	−12.6
Austrian schilling	136.1	+7.3
Belgian franc	94.5	[illegible]
Danish Kroner	85.9	−1.5
Deutsche mark	134.5	+14.1
Swiss franc	154.0	+13.5
Guilder	122.6	+8.7
French franc	71.0	−10.2
Lira	46.4	−17.7
Yen	191.8	+41.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Mar. 11	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

CURRENCY RATES

March 11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
US $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]	[illegible]
Belgian Fr	[illegible]	[illegible]	[illegible]
Danish Kr	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr	[illegible]	[illegible]	[illegible]
Span'h Pta	[illegible]	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]	[illegible]
Greek Drch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*CS/SDR rate for March 7: 1.61732.

STERLING INDEX

	Mar 11	Previous
8.30 am	73.9	73.6
9.00 am	73.9	73.7
10.00 am	73.9	73.7
11.00 am	73.8	73.7
Noon	74.2	73.8
1.00 pm	74.2	73.8
2.00 pm	74.2	73.5
3.00 pm	74.3	73.8
4.00 pm	74.4	73.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	[illegible]	−1.34	+1.13	±1.5425
Danish Krone	8.12857	[illegible]	−1.69	+0.71	±1.6421
German D-mark	2.23840	2.19499	−1.94	−0.15	±1.1455
French Franc	6.86402	6.84674	−0.26	−0.70	±1.3654
Dutch Guilder	2.52596	2.47778	−1.92	−0.09	±1.5162
Irish Punt	0.724578	[illegible]	−1.48	+0.98	±1.6673
Italian Lira	1520.60	1469.01	−3.39	−1.95	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	121-10	122-01	121-02	120-30
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 10,178 (6,353). Previous day's open int. 7,478 (6,294). Basis quote (clean cash price of 13¼% Treasury 2004/08 less equivalent price of near futures contract) [illegible] (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	89.28	89.40	89.27	89.22
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 3,313 (2,421). Previous day's open int. 11,727 (11,971)

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	97-03	97-17	[illegible]	96-15
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 6,528 (6,912). Previous day's open int. 5,321 (5,833)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STERLING (IMM) Se per £

[illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

[illegible]

Previous day's open int: Calls 4,420 Puts 3,810.

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]

Estimated volume total Calls 150 Puts [illegible]. Previous days open interest Calls 10,051 Puts 7,381.

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

Previous day's open int: Calls [illegible] Puts [illegible]. Volume: [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last March	April	May	June	Sept	Puts—Last March	April	May	June	Sept
1.20	—	—	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	—	—	1.10	—
1.40	—	—	—	—	—	—	0.85	—	—	—
1.45	1.05	2.60	—	—	—	0.60	—	—	4.95	—
1.50	—	—	—	2.20	—	—	—	—	—	—

Previous day's open int: Calls 60,645 Puts 65,121. Previous day's volume: Calls 3,206 Puts 2,621.

MONEY MARKETS

Cautious optimism on satisfactory M3

The rise of 1 per cent in sterling M3 money supply during the five weeks to February 19 was within the general range of forecasts, and was regarded as broadly neutral by the London money market yesterday. The figure neither enhanced or set back hopes of an early cut in clearing bank base rates, but dealers suggested the terms provided by the authorities in supplying liquidity to the banking system pointed towards caution. A cut in base rates is still expected, but probably not until around Budget time, next wek, with opinions divided between a reduction of ½ per cent and 1 per cent.

UK clearing banks base lending rate 12½ per cent since January 9

Three-month interbank fell to 11¾-11⅝ per cent from 11 13/16-11 11/16 per cent.

The Bank of England forecast a money market shortage of £950m initially, but changed this to £1,050m at noon, and to £1,000m in the afternoon. Total assistance of £1,020m was provided.

An early round of help was offered, and at that time the authorities bought £650m bills for resale on March 26, at rates of 12 1/16-12 3/32 per cent. Later in the morning £69m bills were purchased outright in band 2 at 12 7/16 per cent. In the afternoon £26m bills were bought outright, in band 2 at 12 7/16 per cent.

Late assistance of £275m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £845m, with Exchequer transactions absorbing £50m. These outweighed a fall in the note circulation adding £40m to liquidity.

The Bank of England also announced temporary facilities for the banking system, by way of repurchase agreements on gilt edged and other Government backed paper, amounting to about £1.5bn, from March 17 to May 19. This will help offset a shortage of liquidity caused by seasonal tax payments.

In Frankfurt call money rose to 5.125 per cent from 5.00 per cent, [illegible] tight, because of seasonal tax payments, maturing currency swaps, and run down minimum reserve assets by the commercial banks. The Bundesbank will add DM 14.4bn liquidity to the banking system today, via a 28-day securities repurchase agreement, at a rate of 4.3 per cent. Bids at yesterday's tender totalled DM 16.5bn, and the new money more than replaces DM 5.8bn draining from the market today, as an earlier agreement expires.

NEW YORK RATES

(Lunchtime)

Prime rate	9
Broker loan rate	8¾-8½
Fed funds	7¾
Fed funds at intervention	7 5/16
Treasury Bills & Bonds	
One month	6.18
Two month	6.67
Three month	6.78
Six month	6.87
One year	7.02
Two year	7.17
Three year	7.22
Four year	7.28
Five year	7.38
Seven year	7.58
10 year	7.72
30 year	7.95

MONEY RATES

March 11	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar. 11	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Auth. Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three-months [illegible] per cent. Bank Bills (sell): one-month [illegible] per cent; three-months [illegible] per cent. Treasury Bills: Average tender rate of discount [illegible] per cent. ECGD Fixed Finance Scheme IV reference date February 5 to March 4 (inclusive): [illegible] per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 13 per cent from March 1 1986. Bank Deposit Rate for sums at seven days' notice [illegible] per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-12 months [illegible] per cent. Under £100,000 [illegible] per cent from March 12. Deposits held under Series 5 [illegible] per cent. Deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. March. 11)

Three months U.S. dollars	
bid 7 5/16	offer 7 7/16

Six months U.S. dollars	
bid 7 5/16	offer 7 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

Company Notices

OLD COURT DOLLAR COMMODITY TRUST (CDRs)

N. M. Rothschild Asset Management (C.I.) Limited at present manages two separate commodity trusts, a sterling trust and a dollar trust and both trusts have similar objectives. The sterling trust was designed for UK investors and the dollar trust for overseas investors. In practice each trust has been used by investors from many different countries. It has therefore been decided that it would be appropriate for the Dollar trust to be merged with the Sterling trust. Details of the merger are laid down in the Scheme of Amalgamation which is available at the office of Pierson, Heldring & Pierson, Herengracht 214, Amsterdam. Tel: 21.11.88, and at the office of the undersigned, Spuistraat 172, 1012 VT Amsterdam. Tel: 5575330 (direct dialling).

Procedure

The Scheme of Amalgamation is subject to approval of holders of units in both trusts. For this purpose meetings will be held to consider the scheme. Holders of units of the dollar trust will meet at 12.00 noon 2nd April 1986. The result of the Meeting will be published in the Official Price-list of the Amsterdam Stock Exchange and in the Financial Times. Subject to the Scheme becoming effective holders of CDRs will receive units in the Sterling trust in exchange for their CDRs.

Holders who wish to receive units in Sterling trust should deliver their CDRs with coupon No. 10 and talon attached to the office of the undersigned. The handling charge of 1 per cent of the total value of the CDR will be borne by Dollar Trust and thereafter no further handling charge will be imposed. Sterling trust will not issue bearer CDRs nor will its units be quoted on the Amsterdam Stock Exchange.

Dividend

At present the Dollar trust distributes its Annual Income yearly on June 20 for the year ending April 20.

CDR-holders who are exchanging their CDRs for units in Sterling trust will receive a dividend amount for the period ending 26th March 1986. This amount will be paid on June 9, 1986 on dividend No. 9.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, 11th March 1986.

COMPAGNIE FINANCIERE DE CREDIT INDUSTRIEL ET COMMERCIAL

Corporation organised under French law with limited liability
Société anonyme
Capital: French francs 1.750.000.000
Head Office:
66, rue de la Victoire - Paris 9ème
Commercial Register:
Paris B 542.016.381

SECOND NOTICE TO HOLDERS OF US$50.000 EACH DUE 1997

The holders of Floating Rate Notes due 1997 issued by Compagnie Financière de Crédit Industriel et Commercial who were called for March 3, 1986 being unable to meet validly for lack of quorum, are again called to an Ordinary General Meeting on March 20, 1986 at CIC Paris, 66 rue de la Victoire, PARIS 9ème (France) to consider the same agenda as the one for the first meeting, that is
—appointment of the noteholders' representatives
—determination of the noteholders' representatives' powers and of the remuneration given to them.

To permit noteholders to attend or to be represented at this meeting, the notes or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated on the placing of these notes and from whom proxies or admission cards can be requested.

BRITISH OXYGEN FINANCE B.V.

US$50.000.000 10¼% GUARANTEED BONDS 1990

£50.000.000 11¼% GUARANTEED BONDS 1991

US$100.000.000
10¼% GUARANTEED BONDS 1993

Holders of the above Bonds are advised that the Annual Report and Accounts for the year ended 30 September 1985 for British Oxygen Finance B.V. and The BOC Group plc (the Guarantor) are available from The BOC Group plc, Chertsey Road, Windlesham, Surrey GU20 6HJ.

TELEFONAKTIEBOLAGET L M ERICSSON

US$30,000,000 8½% Loan 1989

S. G. WARBURG & CO. LTD. announce that the semi-annual redemption instalment of Bonds due 15th April, 1986 for a nominal value of US$2.000.000 has been met by purchases in the market.

US$16.000.000 nominal amount of Bonds will remain outstanding after 15th April, 1986.

33 King William Street,
London EC4R 9AS.

12th March, 1986

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

Notice is hereby given that the 145th Annual General Meeting of the Association will be held in the Armourer's Hall, Armourers and Brasiers' Company, 81 Colman St, London EC2R 5BJ on Wednesday 9 April 1986 at 12.30 pm to include the following:

1. To adopt the Report and Accounts for 1985
2. To re-elect Mr Peter Baring as a Director of the Association
3. To re-elect Mr Colin Edward Hughes as a Director of the Association
4. To re-elect Mr Brian Richardson as a Director of the Association
5. To reappoint Price Waterhouse as Auditors of the Association to hold office until the conclusion of the next AGM.

P. Norton, Secretary

12 March 1986

Art Galleries

AGNEW GALLERY, 43 Old Bond St., W1. 01-629 6176. MODERN BRITISH PAINTINGS, DRAWINGS AND PRINTS. Until 11 April. Mon.-Fri. 9.30-5.30; Thurs. until 6.30.

BURY STREET GALLERY, 11 Bury Street, St. James's SW1. 930 2902. Danish Painting 1880-1920 Monday-Friday 10-5.

BROWSE & DARBY. 01-734 7984. THOMAS NEWBOLD paintings.

MARTYN GREGORY. "Tinqua's China." Superb detailed and decorative views, figure and botanical studies, etc. by this 19th century Canton artist. Exhibition 3rd-22nd March, 10 am to 6 pm (weekdays), 10 am to 1 pm (Saturdays). Catalogue available £7. 34, Bury Street, St. James's, London, SW1. 01-839 3731.

THACKERAY GALLERY, 18 Thackeray St., W8. 937 5883. SUSAN HAWKER. Paintings and Watercolours. Until 4 April.

London & Scottish banks' balances

as at February 19 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	23,541		+ 517	
UK private sector	78,997		− 668	
UK public sector	2,045		− 20	
Overseas residents	13,339		+ 72	
Certificates of deposit	7,995		+2,096	
		125,918		+1,997
of which: Sight		47,906		+ 61
Time (inc. CD's)		78,011		+1,936
Foreign currency deposits:				
UK monetary sector	16,206		+1,116	
Other UK residents	5,969		− 56	
Overseas residents	47,227		− 20	
Certificates of deposit	6,050		− 51	
		75,452		+ 989
Total deposits		201,370		+2,986
Notes in circulation		870		− 6
Other liabilities*		33,532		+ 872
TOTAL LIABILITIES		235,772		+3,852
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	435		—	
Other balances	2,055		− 28	
		2,490		− 128
Market loans:				
Discount houses	3,976		+ 174	
Other UK monetary sector	22,699		+1,854	
UK monetary sector CD's	3,518		+ 37	
Local authorities	776		− 18	
Other	2,694		+ 190	
		33,662		+2,238
Bills:				
Treasury bills	99		− 7	
Other bills	2,339		+ 397	
		2,438		+ 390
Investments:				
British Government stocks	3,679		− 86	
Other	3,725		+ 517	
		7,404		+ 431
Advances:				
UK private sector	84,414		− 9	
UK public sector	328		+ 41	
Overseas residents	4,156		− 814	
		88,899		− 782
Other sterling assets*		12,423		− 343
Foreign currencies				
Market loans:				
UK monetary sector	17,565		+ 501	
Certificates of deposit	485		− 83	
Other	35,031		+1,517	
		53,081		+1,934
Bills		728		+ 115
Advances:				
UK private sector	6,855		− 266	
UK public sector	945		− 42	
Overseas residents	18,711		+ 46	
		26,511		− 261
Other foreign currency assets*		8,131		+ 258
TOTAL ASSETS		235,772		+3,852
Acceptances		5,270		+ 251
Eligible liabilities		93,057		+ 642

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westminster £m	Royal Bank of Scotland £m	Standard Chartered £m
LIABILITIES OUTSTANDING								
Sterling deposits	125,918	5,496	29,704	22,050	20,855	37,134	7,617	3,062
Change on month	+1,997	+338	+422	+478	+299	+292	+ 33	+136
Foreign currency deposits	75,452	1,121	14,620	10,848	14,711	22,284	3,240	8,627
Change on month	+989	−141	+506	+227	−658	+956	+ 53	+ 47
Total deposits	201,370	6,617	44,324	32,898	35,566	59,418	10,857	11,689
Change on month	+2,986	+197	+927	+705	−359	+1,248	+ 86	+182
STERLING ASSETS OUTSTANDING								
Cash and balances with the Bank of England	2,490	306	491	264	473	517	426	12
Change on month	−128	− 1	− 27	− 3	− 73	− 3	− 20	− 2
Market loans—UK monetary sector	26,675	834	5,690	3,946	3,732	10,427	1,048	998
Change on month	+2,029	+210	+408	+346	+437	+614	− 22	+ 35
Other	6,987	151	1,339	1,339	1,070	2,542	259	288
Change on month	+209	+ 33	+ 23	+170	− 43	− 9	− 11	+ 46
Bills	2,438	97	735	869	163	361	156	38
Change on month	+390	− 10	+171	+129	+ 26	+137	− 67	+ 4
British Government stocks	3,679	283	730	698	745	821	231	171
Change on month	− 86	− 8	− 26	− 15	− 26	− 12	− 2	+ 3
Advances	88,899	4,399	22,571	15,412	15,013	23,250	6,231	2,023
Change on month	−782	+ 76	−279	− 46	− 69	−539	+ 85	− 11
FOREIGN CURRENCY ASSETS OUTSTANDING								
Market loans and bills	53,809	426	10,989	8,184	7,773	17,999	2,180	6,257
Change on month	+2,049	−148	+865	+134	−135	+1,302	+119	[illegible]
Advances	26,511	942	4,000	3,771	6,316	6,465	1,383	3,634
Change on month	−261	+ 9	− 37	− 24	−338	− 43	− 42	+215
ACCEPTANCES OUTSTANDING	5,270	283	1,164	435	1,211	1,166	508	503
Change on month	+251	+ 19	+189	− 64	+ 7	+ 48	+ 20	+ 32
ELIGIBLE LIABILITIES OUTSTANDING	93,057	4,506	22,538	16,578	16,300	24,761	6,259	1,923
Change on month	+652	+ 97	+ 97	− 63	+339	+ 37	+ 35	+100

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985/86 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	96¾	Treas. 10pcCnv 1986	99		10.02	12.59
98	92¼	Treas. 3pc 1986	98	+	3.05	12.37
100	97½	Exch. 10½pc 1986	99		10.54	11.52
101⅞	99¾	Treas 12pc 1986	100¼		11.98	11.22
99¾	94¾	Treas 8¼pc 1984-86‡‡	99¼		8.56	10.83
105	100⅝	Exch. 14pc 1986	103		13.77	11.16
95	87¼	Exch. 2½pc 1986	95⅝	+⅛	2.61	9.09
104	100¼	Exch. 13¼pc 1987	102	+	12.99	10.70
99	96⅝	Treas 10¼pcCv '87	99¾		10.28	10.50
94	85½	Exch 2½pc 1987	94	−	2.64	8.54
100	96¾	Exch. 10½pc 1987	100¼	+	10.49	10.42
96	89	Funding 6½pc '85-87‡‡	96	+	6.74	9.88
99	95¼	Treas. 10pc 1987	99⅛	−	10.06	10.50
93	84¼	Treas 3pc 1987	93	+	3.21	8.27
102	99¼	Treas 12pc 1987	102	+	11.74	10.48
96	90¼	Treas 7¾pc 1985-88‡‡	96		8.07	10.12
100	95¼	Exch 10½pc '88	100	+	10.45	10.26
98	93¼	Treas 9¾pc Cv '88	98	+⅛	9.85	10.25
89¼	80	Transport 3pc '78-88	89¼	+	3.37	8.28
98	91½	Treas. 9½pc '88	98	+	9.69	10.37
103⅛	97½	Treas 11½pc 1989	103½	+	11.12	10.14
98¾	90¾	Treas 9½pc Cnv '89	98¼	+	9.62	9.97
85¼	79	Treas 3pc 1989	85¼	+	3.50	8.18
100	94	Treas 10½pc 1989	100	+	10.40	10.14
99	92	Exch.10pc 1989	99⅞	+	10.04	10.14
102⅞	95	Exch 11pc 1989	102⅝	+	10.72	10.09
88⅛	79	Treas 5pc 1986-89	88⅛		5.67	8.95
104	95	Exch 10¼pcCv '89	104	+1	9.81	8.81
109⅝	103⅛	Treas 13pc 1990‡‡	109⅝	+½	11.86	9.92
103	96	Exch 11pc 1990‡‡	103	+	10.63	9.90
108¼	100⅛	Exch. 12½pc 1990	108	+½	11.53	9.84
81⅞	75¼	Treas. 3pc 1990	81⅞	+	3.66	8.23
94	87¾	Treas 8¼pc 1987-90‡‡	94	+	8.72	9.84
101⅞	91⅞	Treas. 10pcCv 1990	100	+	9.98	9.93
78	76⅞	Exch 2½pc 1990	78	+½	3.19	8.11
108¼	97⅛	Treas 11¾pc 1991	106	+½	11.01	9.96

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

MINES—Continued

O.F.S.

1985/86 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
385	138	Beatrix Mines	203	−7	15c	ϕ	2.4
905	719	F.S. Cons. Gold 50c	719	−18	—	—	—
210	65	Free State Dev. 10c	188	.....	Q15c	1.1	2.7
£13¼	505	Harmony 50c	894	−12	Q265c	ϕ	9.9
423	208	Loraine R1	323	−20	Q75c	3.1	7.5
£16½	671	St. Helena R1	944	−6	Q450c	ϕ	15.5
888	332	Unisel	513xd	+13	†Q150c	1.1	9.5
696	356	Welkom Gold Hldgs 50c	488	−20	Q234c	1.0	15.5

Diamond and Platinum

1985/86 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
£53	£27	Anglo-Am. Inv. 50c	£53	+2	Q590c	1.0	3.6
502	265	De Beers Df. 5c	484	+7	Q55c	ϕ	3.8
700	275	Do. 40pc Pf. R5	425	+25	Q200c	x	15.3
£11¼	480	Impala Plat. 20c	685xd	+15	Q135c	1.9	6.4
640	350	Lydenburg 12½c	680	+10	Q72c	1.0	3.9
805	430	Rus. Plat. 10c	760	+10	†Q90c	1.4	3.8

Central African

1985/86 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
190	140	Falcon Z50c	180	.....	†Q100c	2.5	24.8
15	10	Wankie Col. Z$1	12	.....	vQ5c	3.6	18.6
19	10	Zam.Cpr.SBD0 24	15	.....	—	—	—

Finance

1985/86 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
135	70	Afex Corp SA $1 50	83xd	.....	Q7.5c	4.4	6.5
£21	875	Ang. Am. Coal 50c	£11½	−¼	†Q195c	3.1	5.5
£11¼	590	Anglo Amer. 10c	£10⅝	−⅛	Q135c	2.0	4.2
£79	£30½	Ang. Am. Gold R1	£53	−2	Q1450c	ϕ	9.2
£40	£21	Anglovaal 50c	£40	.....	†Q360c	2.9	4.2
33	9	♦Clogau Gold 10p	22	+1	—	—	—
160	50	♥Cons Alex Corp	90	.....	NQ5½c	—	2.0
582	400	Cons. Gold Fields	483	+4	24.5	1.5	7.2
77	29	East Rand Con. 5p	53	−2	t1.0	1.0	2.7
£10¼	450	Gencor R1	750xd	+25	†Q170c	1.1	7.3
£17½	475	Gencor 40c	950	−25	Q190c	1.2	6.5
26½	10¼	Gold & Base 12½p	26½	+4	—	—	—
£15¼	608	Gold Fields S.A. 5c	956	−19	†Q120c	2.0	4.1
£86	£40	Jo'burg Cons. R2	£76	−1	Q875c	2.2	3.7
975	450	Middle Wit 25c	900	.....	†Q105c	1.5	3.8
780	450	Minorco $BD1.40	560	.....	Q22c	1.2	2.8
575	250	New Wits 50c	475	−25	†Q70c	1.6	4.8
£22¼	£18⅞	OFS Invs 1c	£18⅞	−⅛	—	—	—
34	15	Rand London 15c	17	.....	—	—	—
£33	£14	Rand Mines R1	£21	.....	Q350c	2.8	5.4
775	285	Rand Min. Props. R1	425	.....	Q65c	2.6	5.0
115	80	Vogels 2½c	100	.....	Q30c	ϕ	9.7

Australians

1985/86 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
11¼	5¼	♥Afro-West A$0.20	5¼	.....	—	—	—
102	28½	♥ACM 50c	82	+1	ϕ	—	—
27½	10	♥Aquarius Explo NL	10	−2	—	—	—
3¼	⅛	♥Asia Oil & Minerals	⅞	.....	—	—	—
375	195	Northgate C$1	212	.....	—	—	—
685	507	RTZ	607	−1	†20.0	2.8	4.7
£145½	£114½	Do. 9½pcLn '95-2000	£132	−1	Q9½%	14.0	†7.3
980	800	♥Tara Explo $1	938	+13	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	104	.....	Fin. 13% 97/02	£118½	+½
Craig & Rose £1	£24	.....	Arnotts	320	+9
Finlay Pkg. 5p	45	.....	CPI Hldgs	56	.....
Holt (Jos) 25p	720	.....	Carroll Inds.	170	+2
IoM Stm. £1	70	+3	Dublin Gas	56	+1
			Hall (R & H)	64	.....
IRISH			Heiton Hldgs.	33	+6
Fund 11¼% 1988	£99⅝	....	Irish Ropes	55	.....
Nat. 9¾% 84/89	£97½	....	Unidare	132xd	.....

"Recent Issues" and "Rights" Page 30
(International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 24	Mar 6	Mar 7	Mar 17
Mar 10	Mar 26	Mar 27	Apr 7
Apr 1	Apr 10	Apr 11	Apr 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Advance continues at a relentless pace in shares and bonds

The unprecedented run to record levels in London stock markets continued at a relentless pace yesterday. The prospect of lower bank base rates either before or on Budget day next Tuesday together with confidence in the UK economic outlook attracted further heavy inflows of funds from three continents. Far Eastern investment sources generally concentrated on leading shares and European operators on Gilt-edged securities, while US investors divided their time between shares and bonds.

Once again, the main equity indices gave sparkling performances. The broader-based FT-SE 100 share index climbed nearer 1600 to close 24.9 up a best-ever 1597.1, while the older-established FT Ordinary share index shot 21.2 higher to 1326.8, thus extending its gain to over 200 points since January 24. Gilt-edged stocks likewise rose to their highest points for many years and the FT Government Securities jumped 1.20 more to 88.92, to establish a gain approaching 10 per cent in only five weeks.

The advance found brokers searching for new superlatives to describe markets. Besides the weight of investment money, dealers were forced to contend with aggressive speculative activity spurred by four new bid announcements: all were agreed offers. As the hunt for new bid candidates intensified, speculation developed that Dixons was ready to pounce on Woolworth but both concerns later issued denials of merger intentions.

Business slackened awaiting the 2.30 pm announcement of the February banking statistics, the last important financial data before the budget. Bank lending and money supply were in line with most estimates and markets went further ahead until Government stocks turned back from the highest in the after-hours' trade. Longer Gilts were then showing gains of around a point on Monday's late levels. The shorts eventually closed in the region of ½ dearer, while index-linked stocks benefited from hedge buying to end nearly a point up on balance.

Kleinwort Benson

Kleinwort Benson's better-than-expected annual results — pre-tax profits jumped over 35 per cent to £60.3m—prompted a gain of 20 in the shares to 775p, after 780p, and also induced strength in other merchant banks. Schroders, a particularly firm market of late in response to an investment recommendation, advanced ½ more to £13¼, while Mercury Securities firmed 8 to 543p and Hill Samuel added 7 to 335p. Elsewhere, Hongkong and Shanghai cheapened 2½ to 65p in reaction to the disappointing results.

..Insurances contributed to the general buoyant trend. Renewed support ahead of their respective trading statements scheduled for April 2, left GRE and Sun Alliance up 17 apiece at 817p and 682p respectively. Royals put on 12 at 850p as did General Accident at 850p, while Commercial Union hardened a couple of pence at 304p. Lloyds Brokers returned to favour. Willis Faber ended 12 to the good at 427p and Stewart Wrightson were the same amount dearer at 395p.

As expected, the shares of high quality label printers Jarvis Porter commanded a hefty premium in first-time dealings; 97 times oversubscribed at the offer price of 105p, the shares opened at 165p, but drifted back on stag selling to close at 143p. USM newcomer BPP Holdings, which provides accountancy tuition, opened at 180p and moved up to 185p compared with the placing price of 160p.

Leading Buildings were buoyed by interest rate optimism and consequently displayed numerous double-figure gains. Among the leaders, Blue Circle stood out with a rise of 20 at 628p. RMC firmed 10 to 546p, as did BPB Industries, to 438p. Buyers came for Taylor Woodrow following details of a land sale to British Telecom and the close was 15 higher at 553p. Costain continued to reflect the planned reorganisation of its contracting and engineering operations with a fresh rise of 10 to 522p, while buying in markets short of stock lifted John Mowlem 20 to 402p and SGB 22 to 292p. Alfred McAlpine were again in demand at 392p, up 10. Among Timbers, Meyer International gained 15 more to 232p and Magnet and Southerns rose 10 to 156p in sympathy.

Interest in the Chemical sector remained selective. Wardle Storeys were firm at 292p, up 10, but Foseco, a rising market recently on takeover hopes, encountered profit-taking and shed that much to 270p. Elsewhere, Amersham International moved up 10 to 375p following a broker's lunch.

Woolworth buoyant

Early attention in Stores centred on Woolworth which advanced 38 to 583p, after 590p, amid speculation of a bid from Dixons; the latter advanced 10 to 320p. Other leading Retailers also displayed double-figure gains as investors adopted an optimistic view over interest rate trends. Burton put on 18 to 254p, while Storehouse, nervous of late following brokers' downgrading of profits, rallied 12 to 315p. W. H. Smith A closed 14 higher at 310p, while among mail-orders, Grattan improved 16 to 430p and Freemans rose 10 to 400p. Ward White, dull of late following the proposed acquisition of the Payless DIY chain from Marley, rallied a few pence to 262p. Superdrug, due to reveal annual results during the current Account, rose 15 to 458p, but Pentos dipped 6 to 77p following the rights which that accompanied the annual figures. Revived speculative demand was evident for Executex Clothes, 17 up at 107p, while Body Shop, trading in slimmed-down form following the one-for-one scrip issue, leapt 70 to 585p.

Shoes highlighted Stylo which advanced 32 to 235p amid revived takeover rumours.

British Telecom attracted another strong demand ahead of tomorrow's third-quarter figures and touched a best-ever 234p at one stage before closing 9 up on balance at 231p. Other Electrical majors also performed well and generally closed at their best levels. BICC, 321p, GEC, 212p Plessey, 220p, and Thorn EMI, 485p, all finished 6 higher, while Racal advanced 10 to 206p with most of the movement here taking place after-hours. Elsewhere, the recently favoured Bush Radio moved up 5 to 158p, after 163p, on news of the share-exchange bid from Prestwich; dealings in the latter were resumed having recently been suspended at 148p and the close was 153p, after 160p. Microfilm Reproduction improved 5 at 440p following the interim results, while demand ahead of today's preliminary figures left Systems Designers 10 better at 122p. Speculative buying of Sunleigh on asset injection hopes helped the shares touch a new peak of 23p before closing 1½ better at 22½p.

Demand for Engineers broadened considerably. GKN, awaiting today's preliminary statement, settled 8 dearer at 338p, while Hawker were noteworthy at 555p, up 14. Elsewhere, Martonair, the subject of an unwelcome bid from IMI, advanced 40 more to 640p, while the latter improved 13 further to 178p. Renewed support in a thin market left Carclo up 20 more at 400p.

Bid speculation induced fresh support for Unigate, up 10 more at 271p, and Cadbury Schweppes, another 5 to the good at 181p. Rowntree Mackintosh attracted demand ahead of tomorrow's annual results and rose 7 to 432p, while Hillsdown firmed 4 to 242p in reply to the good preliminary figures and confident statement. Trusthouse Forte encountered useful support following a "chart buy" signal and closed 11 higher at the day's best of 171p.

Cope Allman feature

Secondary issues provided the majority of the features among miscellaneous industrials. Cope Allman were outstanding at 343p, up 61, on the agreed bid from Hawley Group; the latter hardened 3 to 120p. Parker Knoll A, reflecting favourable comment on the preliminary figures, advanced 30 more to 370p for a two-day gain of 65. Persistent demand left F. H. Tomkins 30 to the good at 249p, while BBA, scheduled to reveal preliminary figures on Thursday, rose 15 to 218p. Parkfield Group, 358p, and Scapa, 491p, advanced 21 and 24 respectively. Demand persisted for Pentland, up 15 further to 430p, while Oriflame, reflecting satisfactory annual results, rose 75 to 675p. Comment on the preliminary statement assisted an improvement of 7 to 378p in Low and Bonar. British Aerospace touched 586p before profit-taking clipped the price to a close of 578p, for a rise of 7 on the day. Crest Nicholson were supported at 155p, up 10, along with Bridon which gained 12 to 156p. Turner and Newall improved 7 further to 177p ahead of next week's preliminary statement. Whitecroft advanced 15 to 240p, while old takeover chestnut Christies International put on 10 to 323p. Pilkington stood out in the leaders, advancing 20 to 458p, after 463p, following confirmation of the US glass deal. BTR made further progress at 460p, up 7, awaiting today's annual results, while BOC continued to edge higher with a fresh gain of 6 at 383p. Reed International, still reflecting the pension proposals, rose 12 more to 834p. Metal Box advanced 25 to 370p.

Hopes of a bid from New Zealand entrepreneur Ron Brierley pushed Kennings up 10 more to 178p and prompted a sympathetic rise of 7 in Tozer Kemsley Millbourn, to 100p. Lex Service, a dull market since the disappointing results, rallied 29 at 354p, while Lucas Industries moved up 7 to 628p ahead of the interim figures scheduled for March 26. "Shell" situation AC Cars were notable for a rise of 13 at 156p.

Buyers continued to ignore the Property leaders which settled a shade easier in places. MEPC slipped 5 to 353p, while Haslemere Estates lost 6 to 627p; Rodamco's 605p per share offer for Haslemere has been extended until April 1.

Textiles made fresh and often substantial progress across a broad front. Courtaulds improved 6 more to 263p, while Dawson International advanced a similar amount to 238p. Coats Patons rose 14 more to 275p as the offer from Vantona Viyella, 20 higher at 466p, was declared unconditional. John Crowther held the overnight level of 143p following the agreed share-exchange offer for MCD, finally 9 to the good at 207p, and W.W., 115 dearer at 370p. This development stimulated revived enthusiasm for other floor-covering concerns, while Burmatex, 6 better at 158p, and Tomkinsons, 10 up at 137p. Stroud Riley Drummond, 81p, and Hugh Mackay, 88p, rose 6 apiece; the latter's annual results are scheduled for next Wednesday. Shaw Carpets eased a penny to 30p, but bidders Lament advanced 11 more to 185p with the aid of a broker's bullish circular. Sirdar advanced 15 to 135p as buyers displayed interest ahead of next Wednesday's preliminary figures, while late support developed for Illingworth Morris, also 15 up at 135p.

Company trading statements prompted some substantial gains among Financials. Framlington advanced 40 to 325p in response to the sharply increased half-year profits and doubled interim dividend. Edinburgh Fund Managers rose 20 to 300p following the annual figures.

Bumper full-year results also stimulated interest in Antofagasta, 18 up at 363p, and Candover, 15 to the good at 318p. "Shell" situation NMC returned to favour and spurted 40 to 95p, while Ifico rallied 13 to 113p.

Oils gain ground

A much brighter mood prevailed in the recently depressed oil sector. Bullish Press comment, a slightly firmer trend in oil prices and talk of a chart "buy" signal triggered persistent demand for the leaders which progressed throughout the session to close at the day's best levels.

BP advanced 19 to 547p while Shell — reporting preliminary results tomorrow—put on 20 to 715p. Other firm features included Britoil—due to announce full-year results on March 20—which rose 11 to 178p and LASMO, up 8 at 148p. IC Gas responded to revived takeover speculation and jumped 25 to 348p.

Persisting hopes of a consortium bid and another buoyant traded option business lifted Lonrho 5 more to 289p, having earlier attained an all-time peak of 294p.

De Beers improve

Annual profits in excess of the most optimistic forecasts and a substantial increase in the final dividend prompted support for diamond producer De Beers which advanced 7 to 484p in the wake of persistent buying from the US and Johannesburg. Associate "Anamint" also performed well and closed £2 ahead at a 1985-86 high of £53.

Other South African mining issues, however, suffered from the strength of sterling against the dollar, and the failure of the bullion price to register any worthwhile movement in either direction. Golds passed another subdued trading session with turnover again reduced to minimal levels. Currency considerations were responsible for a widespread decline in sterling quotations and the Gold Mines index fell back 7.9 more to 322.5 to leave the index showing a fall of 17.3 over the past three trading days.

Consolidated Gold Fields were a shade firmer at 483p, up 4, on renewed buying interest ahead of the interim figures expected around midday.

Traded Options

Traded Option volume continued to improve with 20,757 contracts done—17,240 calls and 3,517 puts. Lonrho again held centre-stage on consortium bid prospects and recorded 4,856 calls, the May 260's and 280's contributing 1,214 and 1,071 trades respectively. British Telecom were also lively and recorded 1,381 calls, 908 in the May 220's, and 523 puts. Hanson Trust attracted 1,443 calls, while operators also paid fresh attention to the long Gilt option which attracted 404 calls.

FINANCIAL TIMES STOCK INDICES

	Mar. 11	Mar. 10	Mar. 7	Mar. 6	Mar. 5	Mar. 4	year ago
Government Secs	88.92	87.72	86.92	86.58	86.16	86.26	80.41
Fixed Interest	92.62	91.49	91.10	90.90	90.57	90.32	83.80
Ordinary ♥	1326.8	1305.6	1308.6	1299.4	1301.2	1281.2	990.4
Gold Mines	322.5	330.4	333.6	339.8	337.8	337.5	481.7
Ord. Div. Yield	4.05	4.10	4.07	4.10	4.10	4.13	4.55
Earnings, Yld. % (full)	9.79	9.91	9.83	9.93	9.92	9.78	11.31
P/E Ratio (net) (*)	12.66	12.50	12.60	12.46	12.48	12.68	10.75
Total bargains (Est.)	40,694	40,348	38,143	35,600	36,099	37,318	27,259
Equity turnover £m.	—	855.05	900.12	935.43	855.13	734.35	574.93
Equity bargains	—	38,275	40,209	33,681	33,265	24,669	
Shares traded (ml)	—	315.9	406.0	410.6	363.5	354.5	214.4

♥ 10 am 1310.8, 11 am 1317.0, Noon 1318.8, 1 pm 1320.4, 2 pm 1320.8, 3 pm 1321.3, 4 pm 1324.8. Day's High 1326.8. Day's Low 1308.5. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=12.19. † Corrected.

HIGHS AND LOWS / S.E. ACTIVITY

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low	INDICES	Mar. 10	Mar. 7
Govt. Secs.	88.92 (11/3/86)	78.02 (28/1/85)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	158.3	178.3
					Equities Bargains	248.0	260.6
Fixed Int.	92.62 (11/3/86)	82.17 (28/1/85)	150.4 (28/11/47)	50.53 (3/1/75)	Value	1324.0	1619.4
Ordinary	1326.8 (11/3/86)	911.0 (26/7/85)	1326.8 (11/3/86)	49.4 (26/6/40)	5 day Average Gilt Edged Bargains	183.7	187.0
Gold Mines	556.9 (15/4/85)	217.8 (6/11/85)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	234.2	226.1
					Value	1,649.3	1653.3

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	2	8
Corpns. Dom. and Foreign Bonds	47	0	27
Industrials	526	193	793
Fin. and Props.	227	48	296
Oils	33	15	74
Plantations	1	4	11
Mines	40	60	81
Others	63	56	89

YESTERDAY'S ACTIVE STOCKS

MONDAY'S ACTIVE STOCKS

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 40,309.

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar 3	Mar 14	June 12	June 23
Mar 17	Apr 4	June 26	July 7
Apr 7	Apr 18	July 10	July 21

For rate indications see end of Unit Trust Service

Demand for Options contracted slightly from the recent buoyant levels. Calls were taken out in Chloride, Sears, Ferranti, John Brown, Pentland, Sangers Photographics, NMC, Barrie Investment and Finance, Barker and Dobson, Hoggett Bowers, Premier Oil, Polly Peck, Dupart, NSS Newsagents, Brooke Tool Engineering, Lonrho, CPU Computer, Combined Technologies and British Car Auction. Puts were done in Boustead, Delta Group and Polly Peck, while a double option was arranged in AMEC.

NEW HIGHS AND LOWS FOR 1985/6

NEW HIGHS (406)

NEW LOWS (19)

LONDON TRADED OPTIONS

March 11 Total contracts 20,757 Calls 17,240 Puts 3,517 *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | HONG KONG

DENMARK | SWEDEN | JAPAN | SINGAPORE

FRANCE | ITALY | SWITZERLAND

NETHERLANDS | AUSTRALIA | SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

CANADA

TORONTO

Prices at 2.30pm March 11

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices March 10

50712	Bank Mont	$29⅜	29	29¼	+ ½
3200	BombrdrA	$17½	16¾	17¼	− ¼
14358	BombrdrB	$17¼	16⅝	17¼	+ ⅛
1800	CB Pak	$29½	28¼	29½	+ 1
42665	Cascades	$16¼	15⅝	16	+ ⅛
5233	ConBath	$25⅝	25½	25⅝	+ ⅛
22217	DomTxtA	$18¼	18	18¼	+ ¼
23840	Gaz Metro	$11	10⅝	10⅝	− ¼
3560	MntTrst	$19	18¾	19	+ ⅛
69692	NatBk Cda	$24⅜	23¾	24¼	+ ⅜
22405	Power Corp	$28½	28¼	28½	− ⅛
10792	Provigo	$19½	19¼	19½	+ ⅛
1500	RollandA	$20⅝	20⅝	20⅝	− ⅛
39958	Royal Bank	$30⅛	29	30	+ 1½
600	RoyTrstco	$30	29⅞	29⅞	+ ⅛
2155	SteinbrgA	$39½	39¼	39¼	− ½

Total Sales 4,589,286 shares

Indices

NEW YORK

DOW JONES	Mar. 10	Mar. 7	Mar. 6	Mar. 5	Mar. 4	1985-86 High	1985-86 Low	Since Cmp* High	Since Cmp* Low
♦Industri'ls	1702.95	1699.83	1696.60	1686.66	1686.42	1713.99 27/2/86	1184.98 (4/1/85)	1713.99 27/2/86	41.22 (2/7/32)
H'me Bnds	89.88	89.21	89.28	89.38	90.08	90.98 4/3/86	72.72 28/3/85	—	—
Transport...	793.06	791.34	789.01	785.57	786.92	797.72 21/2/86	558.83 (4/1/85)	797.72 21/2/86	12.32 (8/7/32)
Utilities......	182.81	181.63	182.19	182.45	184.24	185.85 28/2/86	146.54 (4/1/85)	185.83 28/2/86	10.5 28/4/42

♦Day's High 1715.16 (1713.48) Low 1688.70 (1682.83)

STANDARD AND POORS

	March 11	March 10	March 7	March 6	March 5	March 4	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	251.81*	249.37	248.10	247.88	247.09	246.99	250.18 (27/2/86)	128.24 (4/1/85)	250.18 (27/2/86)	3.62 (30/6/32)
Composite	228.65*	226.58	225.57	225.13	224.34	224.38	226.92 (28/2/86)	163.68 (4/1/85)	226.92 (28/2/86)	4.40 (1/6/32)

	Feb 19	Feb 12	Feb 5	Year Ago (Approx)
Ind div yield %	3.38	3.35	3.40	3.81
Ind. P/E Ratio	15.38	15.12	14.89	11.34
Long Gov Bond Yield	8.86	9.13	9.25	11.45

N.Y.S.E. ALL COMMON

March 11	March 10	March 7	March 6	1985 High	1985 Low
132.81*	130.87	130.38	130.15	130.87 (10/3/86)	94.60 (4/1/85)

RISES AND FALLS

	March 7	March 6	March 5
Issues traded	2,057	2,032	2,061
Rises	859	1,045	705
Falls	768	578	965
Unchanged	430	409	391

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Pac. Gas/El.	2,247,140	22⅞	+ ⅛	Gulf St. Util.	1,356,900	11¼	+ ⅛
Storage Tech.	1,974,100	6½	+ 1¼	BellSouth	1,332,500	52	+ ⅜
Beatrice	1,900,500	47xd	− ⅛	US Home	1,262,200	8⅝	− ⅜
IBM	1,562,600	148½	+ 2½	Smith Intl	1,184,600	2	+ ⅛
Western Air	1,531,700	12⅛	+ ⅛	AT & T	1,170,600	22⅝	+ ⅛

TORONTO	March 11	March 10	March 7	March 6	1985/86 High	1985/86 Low
Metals & Minls	2,348.5*	2,331.8	−	2,318.0	2331.8 (10/3/86)	1740.82 (31/10/85)
Composite	2,957.3*	2,926.3	2,927.8	2,914.0	2927.48 (7/3/86)	2348.5 (8/1/85)
MONTREAL Portfolio	1,509.53*	1,491.26	1,484.48	1,476.3	1,491.26 (10/3/86)	1,209.49 (4/1/85)

* indicates pre-close figure

	Mar. 11	Mar. 10	Mar. 7	Mar. 6	1985-86 High	1985-86 Low
AUSTRALIA						
All Ord. (1/1/80)	1065.1	1056.0	1055.1	1055.8	1075.6 (4/2/86)	715.3 (7/1/85)
Metals & Minls. (1/1/80)	509.5	508.8	510.4	508.5	585.8 (20/5)	382.5 (7/1/85)
AUSTRIA						
Credit Aitken (2/1/62)	112.74	111.73	111.50	110.48	126.62 (15/1/86)	58.21 (24/1/85)
BELGIUM						
Brussels SE (1/1/80)	3310.46	3309.04	3295.84	3275.82	3310.46 (11/3/86)	2060.7 (18/1/85)
DENMARK						
Copenhagen SE (3/1/83)	(u)	237.28	237.78	257.56	258.36 (5/3/86)	158.44 (8/1/85)
FRANCE						
CAC General (3/1/80)	311.6	317.4	316.5	311.0	324.7 (24/2/86)	180.9 (3/1/85)
Ind Tendance (31/12/85)	117.6	119.9	119.1	118.0	123.5 (24/2/86)	100.0 (31/12/85)
GERMANY						
FAZ Aktien (31/12/58)	661.15	668.10	658.73	665.84	716.76 (15/1/86)	382.39 (3/1/85)
Commerzbank (1/12/53)	2065.3	2018.5	1991.2	2012.4	2161.8 (15/1/86)	1111.8 (3/1/85)
HONG KONG						
Hang Seng Bank (31/7/64)	1639.16	1667.07	1682.65	1688.51	1826.84 (8/1/86)	1220.74 (2/1/85)
ITALY						
Banca Comm Ital. (1972)	605.26	592.84	590.25	587.34	605.26 (11/3/86)	228.58 (2/1/85)
JAPAN**						
Nikkei (16/5/49)	1486.62	14056.5	13994.6	13901.6	14066.2 (11/3/86)	11545.2 (5/1/85)
Tokyo SE New (4/1/68)	1131.21	1129.39	1127.78	1114.18	1131.21 (11/3/86)	916.93 (4/1/85)
NETHERLANDS						
ANP.CBS General (1970)	256.4	254.1	250.7	251.4	257.8 (8/1/86)	185.6 (3/1/85)
ANP.CBS Indust (1970)	248.7	246.6	244.7	245.5	255.3 (17/1/86)	147.8 (3/1/85)
NORWAY						
Oslo SE (4/1/83)	341.35	350.72	353.25	349.46	412.88 (12/11)	288.18 (2/1/85)
SINGAPORE						
Straits Times (30/12/66)	605.52	607.72	612.20	618.02	852.65 (7/3/85)	598.41 (23/1/86)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1199.7	1216.9	1195.4	1307.9 (27/1/86)	829.3 (5/8)
JSE Indust (28/9/78)	—	1151.5	1152.1	1145.5	1184.7 (28/2/86)	767.1 (7/3/85)
SPAIN						
Madrid SE (30/12/85)	139.66	136.58	152.52	132.26	139.66 (11/3/86)	100.0 (30/12/85)
SWEDEN						
Jacobson & P (31/12/56)	1922.39	1934.72	1889.68	1887.55	1934.72 (10/3/86)	1285.32 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	580.9	578.7	577.8	574.4	625.5 (8/1/86)	398.7 (3/1/85)
WORLD						
M.S. Capital Intl. (1/1/70)	—	285.1	285.7	284.1	285.7 (7/3/86)	184.6 (4/1/85)

** Saturday March 8: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Tr 8¾% 87/90	£94⁹⁄₁₆ + ⁹⁄₁₆	Meyer Int	232 + 15
Ex 12% 13/17	£127⅞ + ⅛	NMC Inv	90 + 35
Tr 2% IL 88	£118½ + ⅞	Parker Knoll A	370 + 30
Blue Circle	628 + 20	Parkfield Group	358 + 21
BP	547 + 19	SGB	292 + 22
British Tel	231 + 9	Scapa	491 + 24
Britoil	178 + 11	Shell Transport	715 + 20
Burton	284 + 18	Sirdar	180 + 15
Cope Allman	343 + 61	Stylo	235 + 32
Illingw. Morris	135 + 15	TI	499 + 15
IC Gas	348 + 25	Tomkins (FH)	249 + 30
Kleinw. Benson	775 + 20	Trusthouse Forte	171 + 11
Lamont	185 + 11	Unigate	271 + 10
Lex Service	354 + 24	WW Group	379 + 115
Martonair Int	640 + 40	Woolworth	583 + 38

Prices at 3pm, March 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

WE REGRET that this listing is incomplete due to computer problems.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

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AMEX COMPOSITE PRICES

Prices at 3pm, March 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Fed moves revive credit hopes

THE GROWING belief that the Federal Reserve will ease credit policies in order to stimulate the US economy drove bond market yields to new lows and the stock market to new highs yesterday, *writes Terry Byland in New York.*

The Fed intervened in the credit market to supply reserves when federal funds crept up to 7 7/16 per cent. The funds rate later eased again but other short-term rates held steady.

Bond prices opened sharply higher, pushing the long-term yields down to 7.92 per cent before the pace slackened. Beneath the overall firmness in equities, profits were taken in some sectors at first. But buyers remained comfortably in the majority

The forecast from an industry analyst at First Boston that world oil prices are about to "bottom out" lifted oil stocks without upsetting the rest of the industrial stock market. Gains in the oil majors were extended as crude oil futures turned higher on the New York Mercantile Exchange.

By 3 pm, the Dow Jones industrial average was up 20.83 at 1,723.78.

The Standard & Poor's 500 and the NYSE composite indices touched new peaks.

Exxon, up $⅞ at $53¼ in moderate turnover, led the oil majors ahead. Not all analysts agreed that oil prices may be about to turn higher. But, with the sector looking oversold, prices rose sharply when buyers showed up.

Atlantic Richfield gained $¾ to $50⅞ in brisk trading and Chevron at $1¾ to $36¾. Occidental Petroleum, battered last week by worries over the dividend, jumped $1⅛ to $24⅛, topping the NYSE acitive *stocks list in heavy turnover.*

The doubts over oil prices sparked profit-taking in airline stocks. A weak feature was American, down $1⅛ to $49½ in heavy turnover after the directors warned that "deep fare discounting" had brought an operating loss in the first quarter – confirming Wall Street's *worries* about the industry.

United fell $1¼ to $55, while Eastern at $8¾ was unchanged, and TWA $⅛ firmer at $16⅞.

But on the American Stock Exchange, Texas Air dipped $1 to $29¼ as investors waited for the next move in the Eastern acquisition.

Chemical stocks made little response to oil price forecasts. Dow added $⅞ to $50¼ after the board forecast "improved profitability." There was heavy trading again in Union Carbide $⅛ firmer at $19⅝.

Strength in the high-technology sector also helped the market. IBM regained a *further $1¼ to $149¾ in good turnover,* taking Honeywell up $1¼ to $75¼ in its wake. Digital Equipment, however, after remaining firm against the rest of the sector, ran into profit-takers and fell $1¼ to $160¼. General Motors had a weak session, shedding $¾ to $78¾ after temporarily halting the curb in production brought about by an increase in the number of unsold cars. Ford eased $⅛ to $71⅞ but Chrysler held steady at $39⅞.

Signs of a renewed easing in the US dollar helped pharmaceutical stocks, led by Merck which added $¼ to $151⅛ and Pfizer, up $¼ to $151⅛.

Retail stocks remained in good form despite the latest indication that unemployment remains high in the US. K mart edged up $¼ to $39¼, and J. C. Penney $¼ to $65¾, but turnover was light in both cases. Sears Roebuck, unchanged at $45⅞, made no response to the market's expectations of lower interest rates.

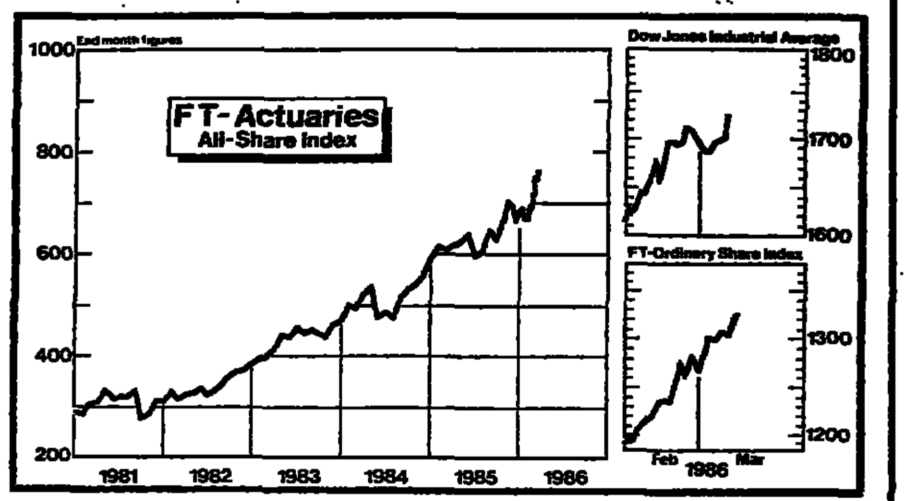
The banks, however, remained on the upside as this week's falls in money market rates balanced the cuts in the banks' own prime lending rates. Bankers Trust at $50⅞ gained $⅝. Chase Manhattan added $⅛ to $46⅛ and Citicorp $⅝ to $50⅞.

However, bank stocks lost impetus as Treasury-bill rates started to rise. The savings and loan stocks, which would also benefit from any further dip in interest rates, edged forward. Financial Corporation of America added $⅛ to $16⅛.

In the credit market, money market rates turned higher despite the Fed's intervention with $1.5bn of customer repurchase arrangements. The Fed's move fits market belief that the monetary authority will slacken its grip in the face of this week's economic data, which is likely to disclose further sluggishness in the economy. The rise in T-bill rates merely appeared to reflect technical factors.

Bond prices remained near the day's peak levels, with 30-year yields now firmly established below 8 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	March 11	Previous	Year ago
NEW YORK			
DJ Industrials	1,723.78*	1,702.95	1,268.55
DJ Transport	797.96*	793.06	611.71
DJ Utilities	186.24*	182.81	147.57
S&P Composite	229.96*	226.58	178.79
LONDON			
FT Ord	1,326.8	1,305.6	990.4
FT-SE 100	1,597.1	1,572.2	1,290.8
FT-A All-share	776.65	765.12	625.86
FT-A 500	858.51	843.62	685.10
FT Gold mines	322.5	330.4	481.7
FT-A Long gilt	9.33	9.43	10.71
TOKYO			
Nikkei	14,066.22	14,056.52	12,263.8
Tokyo SE	1,131.20	1,129.39	975.66
AUSTRALIA			
All Ord.	1,063.1	1,055.0	783.9
Metals & Mins.	509.5	508.7	489.2
AUSTRIA			
Credit Aktien	112.74	111.73	73.13
BELGIUM			
Belgian SE	3,310.46	3,300.04	2,302.78
CANADA			
Toronto			
Metals & Minls	2,348.5*	2,331.0	2,046.0
Composite	2,957.3*	2,926.3	2,602.2
Montreal			
Portfolio	1,509.53*	1,491.26	130.38
DENMARK			
SE	n/a	237.28	176.34
FRANCE			
CAC Gen	311.6	317.4	207.2
Ind. Tendance	117.6	119.9	112.4
WEST GERMANY			
FAZ-Aktien	681.13	668.10	417.72
Commerzbank	2,063.3	2,018.5	1,205.3
HONG KONG			
Hang Seng	1,639.15	1,667.07	1,380.11
ITALY			
Banca Comm.	603.26	592.84	276.00
NETHERLANDS			
ANP-CBS Gen	256.4	254.1	208.2
ANP-CBS Ind	248.7	246.6	163.5
NORWAY			
Oslo SE	341.33	350.72	322.83
SINGAPORE			
Straits Times	605.52	607.72	841.98
SOUTH AFRICA			
JSE Golds	–	1,199.7	903.8
JSE Industrials	–	1,151.5	847.9
SPAIN			
Madrid SE	139.66	136.58	112.16
SWEDEN			
J & P	1,922.39	1,934.72	1,412.20
SWITZERLAND			
Swiss Bank Ind	560.9	578.7	426.8
WORLD	Mar 10	Prev	Year ago
MS Capital Int'l	285.1	285.7	195.6

COMMODITIES

(London)	March 11	Prev
Silver (spot fixing)	365.70p	362.90p
Copper (cash)	£986.00	£998.00
Coffee (Mar)	£2,560.00	£2,500.00
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	March 11	Prev
London	$343.25	$342.00
Zürich	$343.15	$339.70
Paris (fixing)	$343.74	$344.10
Luxembourg	$342.00	$341.75
New York (April)	$344.90	$343.40

CURRENCIES

	US DOLLAR		STERLING	
(London)	March 10	Previous	March 10	Previous
$	–	–	1.456	1.4445
DM	2.265	2.28	3.2975	3.295
Yen	179.85	180.65	261.75	261.0
FFr	6.9675	7.0125	10.145	10.13
SFr	1.9205	1.9365	2.7975	2.7975
Guilder	2.5565	2.5735	3.7225	3.7175
Lira	1,538.5	1,546.5	2,240.0	2,234.0
BFr	46.3	46.65	67.4	67.4
C$	1.398	1.3975	2.042	2.0166

INTEREST RATES

Euro-currencies	March 11	Prev
(3-month offered rate)		
£	11 9/16	12
SFr	3¾	3¾
DM	4 7/16	4 7/16
FFr	14½	14¾
FT London Interbank fixing (offered rate)		
3-month US$	7 7/16	7 9/16
6-month US$	7 7/16	7 9/16
US Fed Funds	7 7/16*	7 5/8
US 3-month CDs	7.05*	7.10
US 3-month T-bills	6.55*	6.605

US BONDS

Treasury		March 11* Price	Yield	Prev Price	Yield
8	1988	101 11/32	7.149	101 15/32	7.11
8¾	1993	106 5/32	7.572	105 19/32	7.61
8⅞	1996	107 29/32	7.715	107 15/32	7.65
9¼	2016	114 29/32	7.945	113 27/32	8.02

Treasury Index Maturity (years)	March 11* Return Index	Day's change	Yield	Day's change
1–30	147.91	+0.55	7.65	–0.05
1–10	141.17	+0.22	7.47	–0.04
1– 3	132.91	+0.06	7.27	–0.02
3– 5	143.37	+0.22	7.52	–0.04
15–30	172.33	+1.60	8.29	–0.10

Source: Merrill Lynch

Corporate	March 11 Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	101⅞	9.85	101⅞	9.85
3⅞ July 1990	89⅝	6.8	89⅝	6.8
8¾ May 2000	97	9.0	97	9.0
Xerox				
10⅞ Mar 1993	106⅜	8.2	106⅜	8.2
Diamond Shamrock				
10⅜ May 1993	101⅞	10.25	101⅞	10.25
Federated Dept Stores				
10⅜ May 2013	109½	9.63	109½	9.63
Abbot Lab				
11.80 Feb 2013	114½	10.2	114½	10.2
Alcoa				
12½ Dec 2012	113⅝	10.7	113⅝	10.7

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Mar	97-15	98-03	97-06	96-27
US Treasury Bills (IMM)				
$1m points of 100%				
Mar	93.43	93.46	93.42	93.42
Certificates of Deposit (IMM)				
$1m points of 100%				
Mar	92.82	92.83	92.82	92.78
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Mar	92.58	92.61	92.58	92.56
20-year Notional Gilt				
£50,000 32nds of 100%				
Mar	120-08	120-30	120-11	119-28

* *Latest available figures*

TOKYO

Enthusiasm remains unabated

BUYING ENTHUSIASM remained unabated in Tokyo yesterday, boosting the Nikkei average to yet another record, *writes Shigeo Nishiwaki of Jiji Press.*

But concern began to overtake investors who are worried by the more than 1,000-point rise in the index in only a month, market observers said.

The Nikkei average rose 9.70 to 14,066.22 and volume soared from 467m shares on Monday to 647m. Losers outpaced gainers 442 to 433, with 110 issues unchanged.

Since the beginning of the month, trading has centred on speculator favourites. But some large-capital stocks among utilities drew massive buy orders in early trading yesterday for the first time in many sessions. Tokyo Electric Power put on Y100 early in the session on the day's fifth heaviest trading of 9.15m shares and scored the highest value in total turnover. It closed Y70 higher at a record Y3,240.

Tokyo Gas, second busiest with 24.72m shares, moved up Y4 to Y367, after reaching a new high of Y371. Nippon Express came third with 20.88m, gaining Y10 to Y710 to match its record.

Institutional investors joined individuals in selecting large-capital stocks. But these issues lost popularity rapidly in the afternoon due to the spreading caution and gave way to medium and low-priced speculative leaders.

Trading in Nichiro Gyogyo shot up, giving it the top slot on the active list. The fishery issue advanced Y39 to close at Y309 after wild fluctuations on a volume of 29.56m shares. Janome Sewing Machine finished Y50 up at Y1,500.

However, paper and printing issues, bought Monday on speculation about the yen's redenomination, lost ground under selling pressure. Oji Paper shed Y11 to Y534 and Dai Nippon Printing Y10 to Y1,470.

Blue chips were mixed, with Sony closing Y30 lower at Y3,540 and Hitachi dipping Y1 to Y736 on a volume of only 830,000 shares. Among biotechnologies, Yamanouchi Pharmaceutical went down Y30 to Y2,960 and Green Cross Y40 to Y2,170.

Bond investors were encouraged by the US 30-year Treasury bond yield's temporary overnight plunge below 8 per cent, and many issues showed record low yields in Tokyo. Dealers and institutional investors had expected the upsurge in bond prices to halt for a while following the recent discount rate cuts by Japan, the US and West Germany. However, they now look for Japan and the US to opt for another reduction in view of the firm US long-term bond market.

The bellwether 6.2 per cent government bond maturing in July 1995 and the 6.8 per cent government bond due in December 1994 yielded 5.075 per cent against Monday's 5.175 per cent and 5.085 per cent against 5.170 per cent, respectively, both all-time lows. Trading was mostly in the hands of dealers, with institutional investors remaining inactive.

HONG KONG

SELLING BY institutions pushed Hong Kong lower again as the technical correction entered its second day.

The Hang Seng index gave up 27.92 to 1,639.15 as all sectors were hit. Hesitation ahead of *Hongkong Bank's results* was also a depressing factor.

Hongkong and Shanghai Bank, which after trading released lower-than-expected results, shed 15 cents to HK$7.85 while its subsidiary Hank Seng Bank fell HK$1.00 to HK$45.00.

Hongkong Electric was unchanged at *HK$8.80 ahead of news that profits for* 1985 rose by 94 per cent.

EUROPE

Rate cut tremors still felt

THE TREMORS of last week's cut in interest rates continued to be felt on the European bourses yesterday while the more stable dollar offered investors a second opportunity to move back into export-oriented stocks.

A *lively* Frankfurt rally was triggered by hectic bond trading in the wake of an upswing in US fixed-income markets. The stock market followed quickly and the Commerzbank index jumped 44.8 to 2,063.3.

Bonds were buoyed by speculation of another round of international interest rate cuts soon, according to dealers. Prices rose by as much as one full point among longs, while shorts added up to 30 basis points. Both domestic and overseas buyers were active.

Bundesbank market balancing operations remained quite heavy with sales of DM 78.6m of paper compared with Monday's sales of *DM 71.3m. The average* public authority yield declined to 5.80 per cent yesterday from the 5.88 per cent of the previous session.

The 6 per cent 1998 federal government loan stock rose 75 basis points to 101.60 and the two 6¾ per cent 1966 federal bonds surged almost a full point. the first issue added *90 basis points to* 104.55 and the other 95 basis points to 104.65.

Calculations by the Westdeutsche Landesbank Girozentrale showed bank paper yields on 10 year maturities down to 6.67 per cent from 6.70 per cent, while five-year paper dipped to 5.87 per cent from 5.88 per cent.

In the stock market, chemicals were busy again with Bayer finding further support. At DM 350, it closed DM 11 higher, BASF added DM 7.40 to DM 325.40 and Hoechst picked up DM 6.70 to DM 329. The sector has enjoyed steady domestic and foreign support in recent weeks largely due to the falling oil price and the consequent impact on chemical feedstock costs.

BMW turned in one of the best showings among the quality car groups with a DM 5 gain to DM 558. Daimler followed up Monday's dazzling display *with a more modest DM 5 rise to DM* 1,269 while Volkswagen added DM 3.70 to DM 557.20.

Among more active banks, Deutsche Bank jumped DM 16.50 to DM 817.50, while Dresdner settled DM 15.50 higher at DM 413.50 ex-rights. Commerzbank put on DM 10 to DM 307.

Stores rebounded from the Monday's weakness and Karstadt unravelled all of its loss with a DM 12 recovery to DM 383. Horten added just DM 2.50 to DM 239.

Brussels gained ground largely due to persistent buying of market leader Petrofina. The industrial group, which represents some 25 per cent of bourse capitalisation, firmed BFr 150 to BFr 6,810. Leading chemical group Solvay added a further BFr 70 to BFr 8,000 after Monday's setback and UCB picked up BFr 90 to 6,900.

Belgian reluctance to cut interest rates in line *with other European* countries weighed heavily on utility stocks with Intercom down a further BFr 45 to BFr 3,585 and Ebes BFr 60 cheaper at BFr 4,560. The Belgian Stock Exchange index rose 10.42 to 3,310.46.

Stockholm retreated from the record of the previous session. Profit-takers *were evident in most sectors.*

Electroloux was the most active after the board of White Consolidated recommended shareholder acceptance of the Swedish group's bid for the US appliance maker. It added SKr 7 to SKr 278.

Asca was also stronger with a SKr 10 rally to SKr 390 but Volvo retreated SKr 3 to SKr 309, Fermenta continued to lose ground with its SKr 2 retreat to SKr 131 and Pharmacia closed SKr 3 cheaper at SKr 194. Ericsson, the most active on Monday, turned SKr 1 lower to SKr 262 in reduced trading.

MoDo dipped SKr 12 to SKr 230 after Monday's results.

Copenhagen staged a broad retreat led by Novo, the insulin and enzymes producer, which announced lower profits, despite higher sales, for last year. Novo fell 135 percentage points to 1,215 per cent of nominal value, while Superfos, the chemicals-to-construction group, edged 8 points lower to 304 per cent amid a strong profits forecast for 1986.

Milan made solid progress on the eve of the end-account position squaring session today.

Zurich was steady to firmer while **Madrid** managed a broad advance.

Paris retreated in active trading *ahead of the weekend elections and* **Amsterdam** finished the day mixed.

AUSTRALIA

CORPORATE NEWS highlighted trading in Sydney where the All Ordinaries share index gained 8.1 to 1,063.1 and the All Industrials put on 12.5 to a record 1,684.4.

BHP added 10 cents to A$6.42 on news that the Government will not intervene in the partial takeover bid by Bell Resources, which rose 5 cents to A$4.65. Parent company, Bell Group, gained 4 cents to A$6.40.

News Corporation, which reported a 125 per cent increase in first half profits, rose 95 cents to A$13.95 while Herald and Weekly Times gained 12 cents to A$5.58.

Brierly Investments, also with strong earnings, rose 20 cents to A$6.40 and ACI International, which is the subject of a takeover offer at A$3.20 from Equiticorp Tasman, rose 3 cents to A$3.30.

NEW ZEALAND

LATE PROFIT-TAKING failed to stop Wellington from surging to a record as trading in Brierley Investments dominated the market for the second straight session.

The Barclays index added 6.97 to 2,165.82, the fifth consecutive record, on turnover of 5.9m shares.

Brierley dropped 30 cents to NZ$8.50 after news of a larger than expected net profit and a one-for-one rights issue. Fletcher Challenge added 4 cents to NZ$3.35 ahead of its six-month profit announcement due today.

LONDON

Relentless record run continues

THE RELENTLESS run to record levels continued in London yesterday, spurred by the prospect of lower bank base rates together with confidence on the UK economic outlook.

Far Eastern, European and US investors were evident with gilts the main attraction for buyers from the continent.

The main equity indices gave a sparking performance, with the FT-SE 100 climbing 24.9 points to a record 1,597.1 and the older-established FT Ordinary share index ending 21.2 higher at 1,326.8, extending its gain to over 200 points since January 24.

Gilts rose to their highest points for many years. After the announcement of the February banking statistics, the last important data before the budget, the market went further ahead.

Long gilts showed gains of around one point, shorts were up ½, while index-linked stock ended up nearly one point.

Chief price changes, Page 37, Details, Page 36, Share information service, Pages 34–35.

SINGAPORE

LACK OF BUYING interest kept investors on the *sidelines* in Singapore yesterday and prices drifted lower.

Although the debate in Parliament yesterday on the Bumiputra Malaysia finance scandal did not trigger a wave of selling, sentiment was subdued.

Singapore Airlines continued higher, adding 10 cents to S$6.50 while Fraser and Neave put on 5 cents to S$6.20. Rothmans, however, was 12 cents easier at S$3.68 and Singapore Press gave up 5 cents to S$5.95.

CANADA

A SPURT OF activity pushed Toronto higher after Monday's flat performance.

After last week's court ruling which ordered Lac Minerals to hand over a gold mining property to Corona Resources, Lac slid another C$⅝ to C$23 and Corona gained C$1¼ to C$24¾.

Banks were firmer with Bank of Nova Scotia ahead C$⅜ at C$13¾, Canadian Imperial Bank of Commerce C$¼ up at C$19⅝

In Montreal, utilities, banks and industrials were higher with Imasco C$½ higher at C$29½.

SOUTH AFRICA

GOLD SHARES extended their losses in Johannesburg yesterday, in the absence of any fresh factors.

Southvaal shed R3.50 to R111, Kloof 50 cents to R21, Anglo American Gold R5 to R217 and Driefontein R1.50 to R51.75.

Diamond share De Beers, the world's largest diamond producer, gained 30 cents to R19.55 after announcing higher earnings for 1985 and a 13 per cent rise in sales for the last year.

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SECTION III

FINANCIAL TIMES SURVEY

Business Travel

The travel industry is seeking new ways to woo the business executive. Blandishments include higher quality transport services and easier computerised booking

Pampering the executives

By DAVID CHURCHILL

TRAVELLING ON business is a pleasure for some and a chore for others. To the company chairman, blase after years of travelling the world on business, the thought of yet another trip to New York or Hong Kong may not be exciting.

But to the rising young executive, the appeal of travel at someone else's expense still retains much of the glamour—until the problems of jet-lag and living out of a suitcase in standardised hotel rooms begin to emerge as the reality rather than the fantasy.

It is perhaps this disenchantment with the mechanics of travelling on business that has forced airlines, hotels, restaurants, car rental agencies, and other sectors associated with business travel to pay greater regard to providing a service for the business traveller than in the past.

Airlines, for example, now go out of their way to woo the business traveller into their business-class seats rather than leaving them to fend for themselves among the economy class passengers paying their own way. On its North Atlantic routes British Airways now offers a guarantee to all business class passengers. If the class is booked they will be upgraded to first class or even given a seat on Concorde.

Hotels, moreover, are trying to give the business traveller a better deal, belatedly recognising that the executive requires different treatment from the customer on holiday. Holiday Inns, the world's largest hotel group, is converting some of its best hotels in the US into "Crowne Plazas" with special concierge floors to give extra privacy and facilities such as meeting rooms and boardrooms.

Nor is it just the international business traveller who is being wooed with extra levels of service. British Rail has come up with a whole new range of services, special offers, and standards of comfort aimed at the executive market, including new "Pullman" lounges at several main line stations.

This commitment to giving the executive travelling on business a better deal reflects in part the bouyancy of the market following the recession, and a growing appreciation by the travel and entertainment industries that the business traveller can be a less fickle customer than the holidaymakers who form the bulk of the trade.

This can be clearly seen by the strength of support for next week's Business Travel exhibition and conference being held at the Barbican Centre in London.

Glyn Genin

One airline's view of how the executive wants to travel: the super executive cabin on a British Caledonian DC10

The exact size of the business travel market, however, is difficult to calculate precisely since it depends on the definition of what is included and what is left out of the various sub-markets. American Express, for example, carried out a survey last year which suggested that the total amount spent by British companies on travel and entertainment was an annual £17.4bn.

This comprised airfares and petrol costs of £4.3bn each, accommodation and subsistence at £4.2bn, rail fares and car hire at £2.5bn and entertaining at £2.1bn.

American Express points out that this level of expenditure is some four times the total advertising expenditure by British companies, three times the amount spent on rates and over twice the figure paid in corporation tax.

However, the Mintel market research company suggests that American Express may be overstating the size of the market and Mintel believes that expenditure by UK companies on business travel is no more than £11bn a year. This comprises £3bn each for petrol and accommodation costs, £2bn each for air fares and entertaining and £1bn for rail and car hire.

Whatever the true size of the market, there is little doubt that the total business travel sector is a large and important one for the various companies involved. Business travellers, moreover, have an added significance in that they are far more likely to be frequent travellers—especially overseas—than the population on average. In addition, business travellers spend broadly twice as much per visit as the average traveller.

Most overseas travel by UK executives, according to both the Mintel and American Express surveys, is to Europe—especially France and West Germany—followed by the US. The Soviet Union appears to be the least popular destination for the business traveller.

Business travel, however, is not just one-way. Over a fifth of all visits to the UK are classed as business trips, with executives from the US, France, and West Germany (in that order) being the most frequent visitors. About a quarter of all expenditure in the UK by overseas visitors now comes from business travellers, compared with a fifth in the late 1970s.

Enthusiastic

Given the size of the business travel market—and the numbers involved—it is hardly surprising that the industry has become increasingly professional over the past decade. The travel trade has been an enthusiastic new user of sophisticated new computer developments to reduce administrative costs and speed up ser-first into these developments, vice.

Although the airlines were the hotel chains and car rental agencies have adopted computerisation with a vengeance. Indeed, it would be hard to see how the major operators in these sectors could continue to offer the same degree of service without the benefits of computer-controlled reservations, allocations, and invoicing.

Yet, the obstacle to more efficient development of business travel services lies not so much in the application of more computerisation but in the whole way of companies approach business travel.

"Too many companies, while aware of the high expenditure on business travel, still have not adopted a disciplined, structured approach to travel," claims Mr Tony Grimshaw, managing director of Swan National car rentals.

Only about one in four companies, for example, designate official hotel chains for employees to use, with the result that companies often have to fund hotel accommodation from cash advances. This system is estimated to cost British companies about £140m a year in lost interest. "Surely it cannot make economic sense to tie-up valuable company funds to service cash flow," suggests Mr Grimshaw.

"In today's market with a little thought and investigation, it is possible to negotiate discount rates with a favoured supplier who will invoice the company through central billings."

Mr Roy Stephenson, American Expresses's vice-president in charge of travel management services and marketing, also points out that companies should approach business travel in as sophisticated a way as they do other parts of the business.

"The way to control it is not to cut it but to allow volume to work to your advantage," he

CONTINUED ON PAGE 12

CONTENTS

Better service in battle to win customers

The airlines

MICHAEL DONNE

ANYONE READING business journals and quality newspapers could hardly fail to realise that a major battle is being waged among the airlines for that most-prized of all their customers, the business traveller.

As the volume of air travel continues to rise—last year, according to the International Civil Aviation Authority's estimates, some 892m people flew on scheduled domestic and international services worldwide—the pattern of traffic is changing. While business and leisure travel are rising, the latter has tended to rise at a faster rate, as a result of the influence of widespread fares discounting, especially on long-haul routes.

This has had two primary effects. First, it has encouraged more and more business travellers to avoid the economy, tourist or discount sections of the aircraft involved, so as to escape the congested seating and reduced standards of in-flight service that have tended to accompany the growth of cheap-fare long-distance travel.

Secondly, this in turn has encouraged the airlines to give greater recognition to this more discerning class of traveller, and to make greater efforts to give him or her a higher standard of comfort, both in terms of seating in separate cabins and improved in-flight standards of service.

It is now a fact that on many long-haul airlines, the volume of business class travel in separate cabins is greater than the even higher-fare first class traffic.

The latter remains strongly business orientated—few travellers pay for first-class travel out of their own pockets—but the improving levels of business-class service on the airlines has encouraged many companies to use the business-class cabins as opposed to first-class, leaving the economy-class to the mass travellers at the cheapest fares.

For long-haul flights, the quality of most business-class service is now much higher than it used to be, as a result of the competition between the airlines for this higher-fare traffic. Seating standards have been improved (in some airlines, the business-class now gets what used to be the first-class seating, the latter itself having been extensively upgraded with new "sleeper" style seats), and the overall quality of in-flight service has risen.

On most long-haul air routes, there is a choice for the business traveller of at least two competing airlines. On a few routes, notably across the North Atlantic between the UK and New York, the choice is much greater, and it is here that the battle for business traffic is at its fiercest.

British Airways, as a result of its successful Putting People First campaign, has done well in this struggle, and it has escalated the fight even more in recent weeks by offering a guarantee of carrying all business-class (which it calls Super Club) travellers, even if the business-class cabin is full, by upgrading them to first-class at no extra charge, or even sending them on Concorde if the first-class cabin is full. Alternatively, it is offering them an economy class ride, with another Super Club ticket as a bonus.

Although the battle is primarily being conducted through the medium of advertising, it is supported by personal mail shots and even visits to major actual and potential air transport users by sales representatives of the airlines.

The point is that the sales attack has to be sustained. The average business traveller is keenly aware of his or her significance to the airline, and quick to spot any slippage of quality in standards of service. Being customarily articulate travellers, they are not slow to either point out the faults when they find them, or to shift their allegiances to rival airlines.

The best advice one can give to any business traveller is to pay attention to the advertisements, shop around for the best deal in quality or price, or both, and do not hesitate to complain and change allegiances if necessary.

It is a lamentable fact that *airlines do become complacent*, and allow quality to slip, especially in the standards of in-flight cabin service, albeit little by little, and this is not something which the business traveller should tolerate.

On short-haul flights, especially in Western Europe, the situation is different, with a sometimes wide disparity between the business-class cabins of airlines flying the same route. The British Airways Club Class cabins, for example, in Boeing 737s on some short-haul European routes do not compare at all favourably with those of its rivals, such as Air France on the London-Paris route.

BA's habit of filling all Club Class seats, three-abreast on either side of the aisle, can often make for a considerable degree of discomfort, and does not justify the higher fare (compared with economy class) that the airline charges.

Other (foreign) airlines appear to be much more aware of the need to give the business traveller a better standard of seating and in-flight service on short-haul European routes, and despite their desire to "fly British," many UK business travellers frankly opt for the foreign carrier for this reason on many routes.

Whether the steadily increasing competition on short-haul European routes—with British Caledonian and other airlines operating alongside BA—will effectively achieve an improvement in this situation remains to be seen.

So far, most of the emphasis in the progressive de-regulation of European air routes sought by the UK Government has been on getting fares down, rather than on improving the quality of service for business travellers. But one effect of the increasing volume of cheaper-fare traffic on those routes may be more pressure from business travellers for improved standards for themselves, to justify their fares differential.

Every business traveller has his or her own views of what constitutes good service, and each has a favourite airline on a given route. From the airline's point of view, such allegiances are expensive to win, and it is often surprising that they do not do more to recognise the loyalties that many of their passengers give them.

In today's climate of increasing computerisation of information, it should not be difficult for airlines to keep full records of regular travellers, and offer them inducements or rewards *for regular use of a particular airline or route*. In the US, the Frequent Flyer system is widely used, whereby business travellers can log milages every time they fly with a particular airline, so that when they reach a specified figure, they qualify for bonuses such as *discounts or even free tickets*.

This is expensive for the US airlines, but it tends to encourage a style of "brand loyalty" that does not exist elsewhere.

It is also a potent weapon in the fierce competitive battles that take place in the deregulated US airline market place, that many airlines there use to good effect.

Whether a similar system *could be employed in Western Europe* remains to be seen but it is perhaps not going too far to suggest that the airline that does introduce it on this side of the Atlantic would stand to win a substantial volume of business on short-haul and long-haul operations.

How the interior of a Club Class section on British Airways normally looks. The middle seat is left vacant, although on some occasions when demand is high on given routes or services, BA fills that seat.

Business visitors to UK

Expenditure by overseas residents 1970-84

	Total £m	Business £m	Business % of total
1970	432	91	21.1
1971	489	109	22.3
1972	550	123	22.4
1973	682	149	21.8
1974	834	200	24.0
1975	1,114	249	22.4
1976	1,628	336	20.6
1977	2,179	457	21.0
1978	2,502	528	21.1
1979	2,765	597	21.6
1980	2,965	734	24.8
1981	2,938	763	26.0
1982	3,163	795	25.1
1983	3,655	896	24.5
1984 (provisional)	4,195	1,020	24.3

Source: International Passenger Survey/Mintel.

Business class services

Offered by 33 major airlines

	Number of airlines offering
Separate check-in	33
In-flight entertainment	32
Newspapers/magazines	33
Choice of entrees with meal	33
Free drinks	33
Comfort/amenity kit	31
Special meals prepared on request	29
First class baggage allowance	29
Advance seat selection	28
Priority baggage handling	27
Free drinks including champagne	26
Use of lounge facilitiec	25
Priority boarding/disembarkation	23
On-board wardrobe	18
Passenger gift	10
Complimentary airport transfer	10
Choice of three entrees	9
On-board mail service	9
Free cabin bag	5
Ditto with admin./secretarial service	3
On-board telex/telephone	2

Source: Hogg Robinson Business Travel Service/Mintel.

No single airline offers all these facilities: on average 13 of the 21 listed are offered.

Nearly 300 computer communications DPAS air ticket printing and accounting systems have been installed in UK travel agencies. Together with Travicom electronic reservation equipment, this is the system in use in more than 90 per cent of automated specialist business travel departments

Clients' in-house challenge

Travel agents

ROBERT OAKDALE

TRAVEL AGENTS are facing *new competition in the provision* of business travel services—from the companies they have traditionally supplied.

The background is the rapidly developing technology which by the end of the 1970s had enabled electronic reservations and automatic ticketing to be installed wherever there was a telephone. Airport ticketing machines operated by a credit card were also demonstrated in the 'seventies and are now widely used in the US and spreading to Europe.

Many large companies want the latest equipment and facilities in their travel departments, enabling them to cut out travel agents, and it has now become perfectly feasible to provide it.

Some travel industry experts forecast that the result of allowing company travel departments the use of reservations and *ticketing facilities* will be the destruction of the existing means of travel product distribution in Britain. They want to maintain the agreement that only UK travel agents and airlines may supply air tickets.

A similar argument took place some years ago in the US, *with travel agents trying to* push back the incoming tide and failing. Eventually American legislation was relaxed and now it is more than a year since the law changed, allowing access to tickets to anyone in the US whom the airlines wish to supply, not only travel agents.

This move towards greater access by the public directly to principals' databases may be repeated in the UK very soon. Several American airlines last year, began a vigorous sales campaign to introduce their electronic reservation systems into British agencies. Pan Am has now broken ranks and will supply Panther, its Prestel based electronic reservation system to members of the Institute of Travel Managers.

Install

Others are on the verge of installing this equipment in company travel departments. American Airlines Sabre and United Airlines Apollo are believed to have over 30 terminals already installed in British agents. Delta, Eastern and TWA will not be far behind in placing their systems in this country. Gerry Fernback, UKTAA President and immediate past chairman of the Guild of British Travel Agents (GBTA) thinks that expenditure on equipment without ticket stocks makes commercial nonsense. In other words companies will also want to benefit from the commission on ticket sales.

In Britain, Travicom offers a multi-access system allowing electronic reservations to be made with 44 airlines. A total of 928 travel agents have direct line links to the sophisticated full Travicom service with a total of 2,136 terminals at nearly 1,000 locations, quite apart from a large number of travel agents who gain entry to the system by private viewdata.

Jim Harris, both a British Airways director and chairman of Travicom reiterated to agents at a February meeting his airline's absolute commitment to agents. Travicom has admitted however, that if American airlines put their terminals in company travel departments, it would have no alternative but to follow suit.

Installation of equipment is only one step away from a company running its own travel agency. In the US the National Passenger Traffic Association *has set up its own* agency in New York which it plans to expand by franchising throughout America. The UK Institute of Travel Managers also considered setting up its own agency through which members would place corporate travel arrangements.

In the US this development was inevitable once travel departments of companies could handle bookings and undertake ticketing, receiving the same discount as an agent. Yet although these travel departments did all the work, appointed travel agents of airlines remained, in theory, responsible for these corporate accounts and collected override commisisons. *The new NPTA initiative will be able to gather* in these override commissions.

The British ITM decided, however, at its annual conf*erence held in Dublin in mid*-February not to go ahead with its own agency chain, perhaps influenced by the cost. Some big corporations which have set up their own travel agencies have in fact been selling them off. Instead ITM has decided the existing UK distribution system for travel services remain the most efficient.

Yet, while there may soon be alternatives to use of a travel agent, the huge range of added value services which agents can provide remain beyond the capacity of most individual companies to arrange for themselves.

There has, for example, been a very rapid development in the type of information now provided to companies concerning travel and other expenditure. Analyses are provided detailing how much has been spent and what savings have been achieved because of the expertise of the travel company. These savings can be huge, far greater than the 2 per cent to 5 per cent discount that may be achieved as part of a contract.

American Express and Thomas Cook have already developed a means of providing customers with this information on-line and already over 20 pilot sites are experimenting with the use of direct access to their travel agents' computers.

Attraction

There are other reasons why many companies do not want to be in the travel business, despite the attraction of savings because of direct commissions.

Clients who choose to go direct in one form or another cannot always be guaranteed an objective assessment of their total travel spend and total travel management, which could be heavily biased and heavily weighted towards the principal who gives them the direct communication.

Agents say they can provide clients with a flexible management information system that will enable them to control their total expenditure, and bring into play the buying power of a large travel organisation. Substantially reduced corporate hotel and car hire rates and specially discounted air fares are examples.

Companies with direct access can also sometimes find the facilities available to them to be limited. Increasingly the corporate travel agent will take on the role of a consultant advising companies on the best way to manage their total travel expenditure.

Technology will help in making the simpler forms of distribution cost effective and far better for the client, but the total range of services required will have to be dealt with by counselling, conversation between the agent and the company being essential.

Most of the emphasis in *recent years has been on the* buyer in the business travel company, the travel manager and the finance director.

There has been a necessary emphasis on price and value for money. Although agents are actively continuing to pursue that route, they also recognise there is another ingredient to this equation, namely the traveller.

Thomas Cook has just finished a survey into the likes, dislikes, needs and wants of travel managers and others making travel purchasing decisions. At the same time it has conducted research into the needs of the business travellers themselves.

There are often conflicts—the travel manager's job is to purchase as cost efficiently as possible, whereas the travelling business man does not necessarily want to save his company money. He may prefer to travel first class and always stay at the best hotels.

There are other significant contrasts too between women business travellers and men which travel agents believe they are best-equipped to resolve

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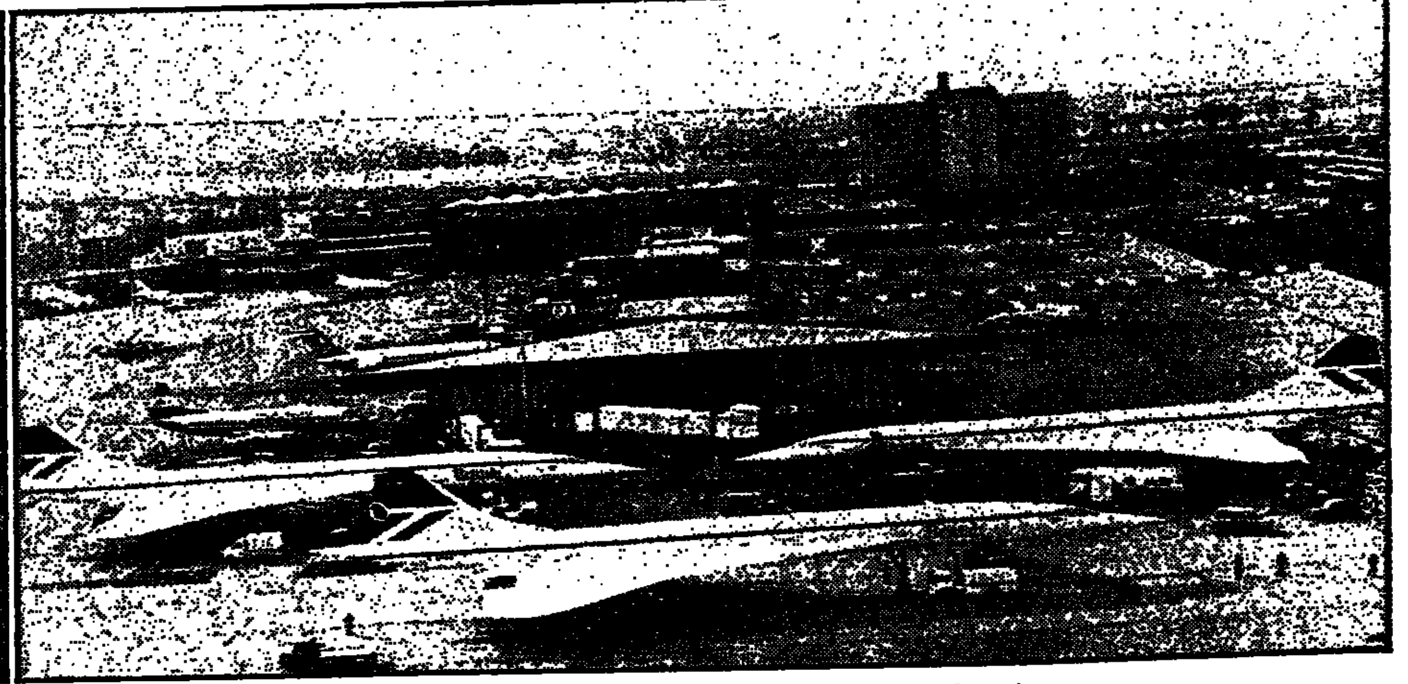


The main concourse of Manchester International Airport and an unusual get together of three Concordes launching the advent of Super Shuttle at Glasgow Airport

British Airways grants ease the risk for operators

Regional air services

MICHAEL DONNE

OVER THE next few months, a major expansion in the volume of international services flown between UK regional airports and the Continent by the smaller regional airlines is expected to take place, as a result of the injection of some £6.75m of British Airways' cash into those airlines.

This situation has evolved following the Government's White Paper on Airline Competition Policy some time ago, in which it was revealed that BA was prepared to make grants to smaller regional airlines of up to £450,000 per route over a three-year period for some 15 routes between regional airports and the Continent, so as to encourage the development of regional air services. The primary regional airports involved are Birmingham, Manchester, Aberdeen and Glasgow.

Stimulate

This largesse represents the biggest single cash injection into the regional airline situation in the UK for many years, and is bound to help stimulate the development of short-haul air services between airports outside London and the South East and airports on the Continent, to the benefit of business air travel.

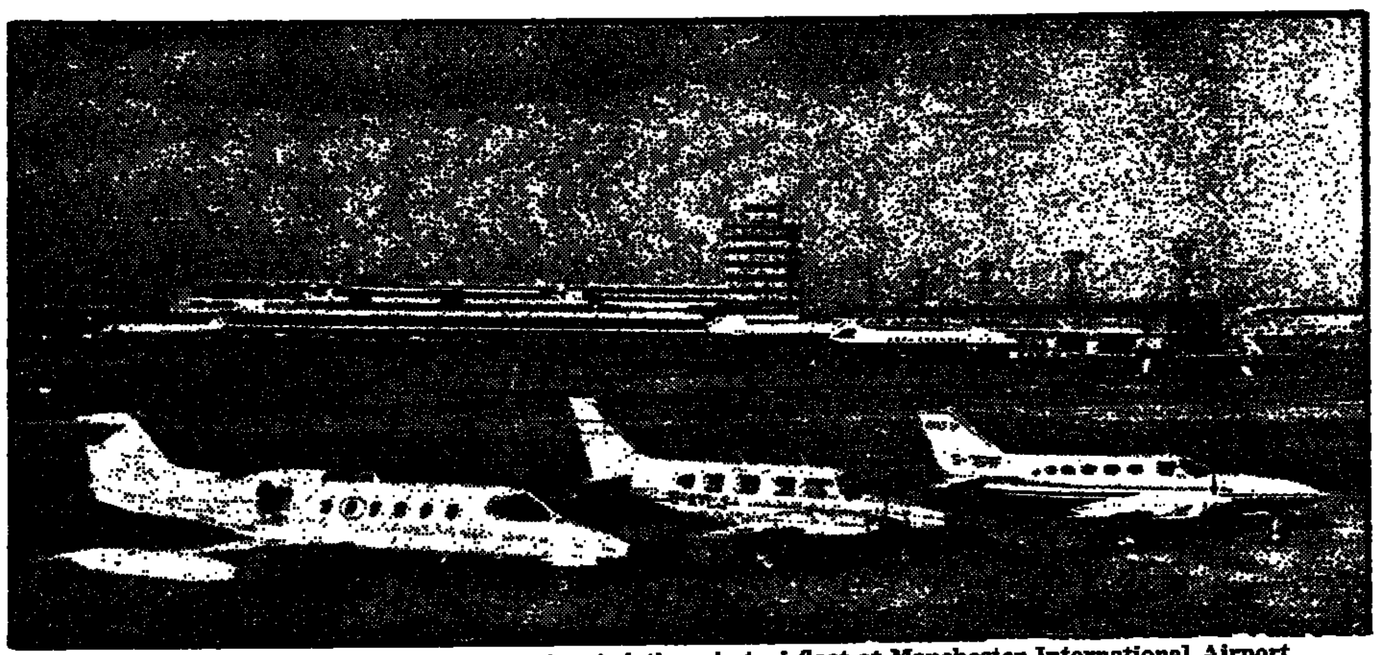
Developing regional air services has always been in the past a difficult, if not a highly speculative, business for the airline operators.

On many regional air routes, especially international routes, the volume of traffic is small by comparison with that generated from such major hubs as London's Heathrow, and many attempts over recent years to establish such services have failed because the finance required has outstripped the capacity of the airlines involved and traffic has failed to expand at the rate required to make such services viable.

The BA offer, supported by the Government, is designed to help change that situation, by helping the smaller regional airlines to launch new international air services and so take some of the strain off the London and south-east airports by stimulating operations from major provincial centres.

Many small regional airlines submitted applications for the BA cash to the Civil Aviation Authority, which after much deliberation made recommendations to the Secretary of State for Transport, which the Department has now substantially confirmed.

The airlines named by the Department to receive the BA cash are: Air Ecosse (Aberdeen to Dublin); Euroair (Aberdeen to Esbjerg); Ace Aviation (Glasgow to Brussels, Gothenberg and Hamburg); Air Europe (Manchester to Gibraltar); Birmingham Executive Airways (Birmingham to Dusseldorf, Frankfurt, Stuttgart and Amsterdam); Connectair (Manchester to Rotterdam); Dan-Air (Manchester to Amsterdam, Oslo and Stockholm) and Suckling Aviation (Manchester to Ipswich and Amsterdam).



Three aircraft of the Northern Executive Aviation air taxi fleet at Manchester International Airport. Left to right: Gates Learjet, Piper Navajo Chieftain and Cessna Golden Eagle

Most of these airlines fly aircraft with fewer than 70 seats apiece, so can take advantage of the recent deregulation within the EEC which allows smaller aircraft to operate within the Community without bilateral agreements. The airlines, however, must still have the Civil Aviation Authority's approval that they are financially stable and can meet the CAA's safety requirements.

It is hoped that as a result many of these services will start with BA's cash aid with a better chance of becoming viable than any previous ventures. Another element that should help to make for their success is that today's generation of more fuel-efficient and cost-effective short-haul turbo-propeller airliners are more likely to make money than the larger jet airliners that regional airlines used in the past two establish such air services.

Apart from these specific operations, it is the aim of the UK Government to encourage regional air services wherever possible, as part of its overall policy of promoting the growth of civil aviation outside London and the South-East.

There are close to 50 airlines of all kinds registered in the UK. Leaving aside specific helicopter operators, all-cargo operators, and airlines primarily or wholly involved in the inclusive tour holiday charter business, most of the rest are in one way or another "regional" airlines, in that they fly services between regional centres and London itself, or between regional centres and Continental destinations. They range from the biggest, such as British Airways and British Caledonian, to small "commuter" or "local service" airlines such as Brymon. Each in its way contributes to the overall development of regional airline operations, even where they are also big international scheduled carriers, such as BA and BCal.

The strength of these operators overall can be seen from the fact that during 1984 (the last full year for which detailed statistics are available) they collectively carried over 8.3m passengers on domestic scheduled air services (that is, exclusively within the UK itself), apart from perhaps another one million or so carried on international services from regional airports.

It is this heavy dominance of domestic operations in regional air services that the Government is anxious to correct, for it is argued strongly in the regions that far too many business travellers seeking international flights are obliged to fly to London and other south-east airports to make their connections.

The pressures are increasing, therefore, for more direct services to international destinations from regional centres, primarily short-haul to Western Europe but also for long-haul operations to major destinations such as the US and South East Asia and Australasia.

Qantas, for example, already flies from Manchester to Australia; Singapore Airlines starts services from Manchester to Singapore this spring; a new airline, Highland Express, is planning operations from this summer from Stansted, Birmingham and Prestwick in Scotland to both New York and Toronto.

On short-haul scheduled international operations, British Airways is expanding its flights from Manchester, while in London itself, a new airport, the Short Take-Off and Landing (Stolport) in the docklands east of the city, is due to be developed to provide new short-haul domestic and international services, primarily by Brymon Airways.

The pattern of domestic and international regional services is thus expanding, albeit more slowly than many airlines, airport operators and business travellers would like to see. The difficulty is that air services cost money to inaugurate, and airlines are not philanthropic institutions: they want to see the likelihood of adequate traffic and cash returns before committing themselves.

The BA largesse is likely to be the biggest cash injection in such services for the foreseeable future, apart from any individual routes that individual airlines may see as likely sources of profit.

Many of the smaller operators, however, are worried lest the massive power of BA itself, once that state-owned carrier is privatised, is let loose on the domestic air transport market, to the detriment of smaller regional operations.

The BA financial disbursements now planned are designed to counter that fear, but there is still considerable concern in the independent airline sector that, if it chose to do so, BA, once privatised, could "mop up" domestic regional airline operations to its own benefit, and reduce freedom of choice for the travelling public.

Whether this comes to pass remains to be seen, but many of the smaller independents are pressing the Government for some safeguards against that possibility to be built into the civil legislation now before Parliament, before it is too late.

Convenience adds to time saved

Air taxis

MICHAEL DONNE

BUSINESSMEN seeking greater flexibility of movement but unable to afford the convenience of a company-owned aircraft would do well to consider making greater use of the extensive range of services offered by the air taxi operators in the UK.

Those who have not yet experienced the remarkable liberation from the hassles of scheduled air services that the use of a private aircraft can provide will be agreeably surprised.

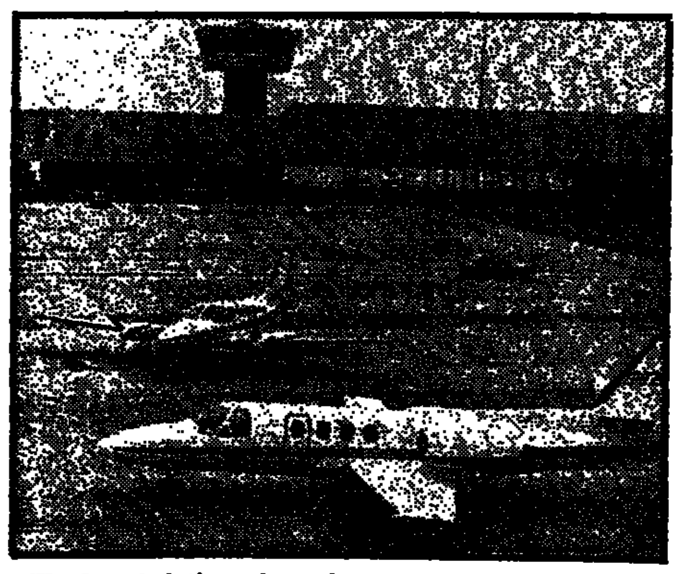
To be able to order an aircraft at a time and place convenient to oneself, to be conveyed either directly to ultimate destination or far closer to it than any scheduled airline can achieve, is a boon that an increasing number of business travellers are discovering.

Apart from the savings in an executive's time, and in the wear and tear on his physical and mental systems by avoiding busy airports and increasingly crowded aircraft, there is the benefit of comparative privacy in which to work or discuss business affairs. Senior executives who have already experienced such benefits invariably declare that they would prefer, if possible, not to revert to their former air travel habits.

Such private aircraft, either fixed-wing or helicopters, are mostly employed on short-haul journeys throughout the UK or Western Europe, where the costs involved are acceptable to most companies.

The air taxi, of course, can also be used for much longer journeys if desired, but the cost inevitably rises, and it is usually only the top executives of large corporations who can choose to travel that way, with other senior executives being obliged to use the first-class or business-class cabins of the long-haul scheduled airlines.

For longer journeys, such as halfway round the globe, there is less need for speed on the part of the business traveller. If he or she is going on a journey of several thousands of miles, the saving of an hour or two on the journey is perhaps less necessary (although it is still desirable for some, as the



Elmdon Aviation air taxi company at Birmingham International Airport

increasing use of the supersonic Concorde on the North Atlantic route, and the non-stop services from say, London to Singapore and Hong Kong, is now proving).

But for short journeys in the UK and Western Europe, the air taxi can save many weary hours hanging around airports, and enable a much greater volume of work to be done in a given time. The benefits can vary, too, according to the type of aircraft used. A fixed-wing aircraft is itself constrained by airfield availability, but since there are many hundreds of such airfields available for smaller aircraft types in the UK and on the Continent, this is less of a problem than for the scheduled airlines which are confined to their specific airports.

At many of those smaller airfields, too, customs facilities are either already available or can be laid on, given advance notice, if an international flight by air taxi is contemplated.

For the helicopter, the constraints are fewer and the flexibility greater. Although there are environmental problems from noise in operating helicopters into some city centres, by and large the helicopter's unique ability to land almost anywhere provided a suitable clear area is available (even on a factory roof), gives it a flexibility and convenience far greater even than the fixed-wing aircraft, as many businessmen have discovered.

It is possible with a helicopter to visit several widely scattered sites in a single day, even more so than with a fixed-wing aircraft, so advantageous is the helicopter's ability to land and take off in restricted spaces.

Air taxis, whether fixed-wing or rotary-winged, are not cheap, but frequently the cost of using such aircraft can be more acceptable than many businessmen realise.

If several executives are conveyed in one aircraft, the overall cost of the air taxi hire can actually often be less than the total of their combined air fares on the scheduled airlines to the nearest available airport, leaving aside any consideration of greater convenience and comfort that the air taxi can provide.

The main question that any executive has to consider is how valuable his or her time may be, and how important to the company is the journey to be made. If the executive is senior enough, and highly paid, the value of every hour saved in travelling is significant both to the individual and the company, and can be offset against the cost of the aircraft hire.

It is astonishing how often executives fail to calculate the value of their travelling time in that way, and fail to appreciate that by hiring a private aircraft (or even, for that matter, flying Concorde across the North Atlantic) they might be saving their companies money, rather than wasting it, as many still appear to believe.

A considerable amount of help and advice is available, however. The Business Aircraft Users' Association, representing companies that actually own their own aircraft and employ their own crews, and the Air Transport Operators' Association (formerly the Air Taxi Operators' Association), which represents a large number of air taxi operators, are ready to answer questions about such operations.

The ATOA itself has over 60 operator members, who between them collectively own over 300 aircraft of all types, ranging from small three to four-seater piston-engined aircraft through to large executive jets. The members are all knowledgeable on civil aviation matters, and they have a code of conduct ensuring fair business dealings and a strong emphasis on safety. Many thousands of businessmen have already used the facilities they provide, and the members of the association are anxious to encourage many thousands more to do so.

Business travellers contemplating the use of air taxis of any kind are strongly urged to contact the ATOA, from whom a list of members can be obtained. This is because there are some aircraft operators who are acting illegally by not holding an Air Operators' Certificate as issued by the Civil Aviation Authority.

Such Certificates confirm that the holder complies fully with British civil aviation regulations, standards and insurances as specified for public transport operations.

The ATOA's view is that there is no substitute for safety in air travel and that uncertified fringe operators offering cut-price services are dangerous. The ATOA advises all prospective users of public air charter transport to ensure that their carrier operates to professional standards and with the Civil Aviation Authority's approval—as do all the member companies listed in the ATOA's current year book, obtainable free from the Association on request.

The Air Transport Operators' Association, Clembro House, Weydown Road, Haslemere, Surrey, GU27 2QE. (Telephone 0428 4604).

Cash gap dangers covered

Credit & charge cards

MARGARET HUGHES

LATE ONE Saturday a supper guest, who is also a journalist, was ordered by his newspaper to Manila. It was the weekend which marked the beginning of the end of Ferdinand Marcos' presidency of the Philippines.

Having secured himself a seat on the first flight out, my guest's thoughts turned next to his financial needs. Normally this would not have presented a problem. He has the usual array of charge and credit cards—all widely used in the Philippines. But who knew what might happen when the country was in turmoil? As it turned out, banks did close for several days.

Clearly what he needed was hard cash: not the easiest commodity to come by in any significant amounts on a Saturday night. Cashiers, even on a Sunday newspaper, it seems, do not work at weekends and his news desk's petty cash float did not run to funding overseas trips.

Our first response was a quick emptying of pockets and purses followed by a quick dash to the nearest cash dispensers. But, inevitably, by Saturday night our respective weekly cash allowances were virtually used up. We did not come up with anything like enough.

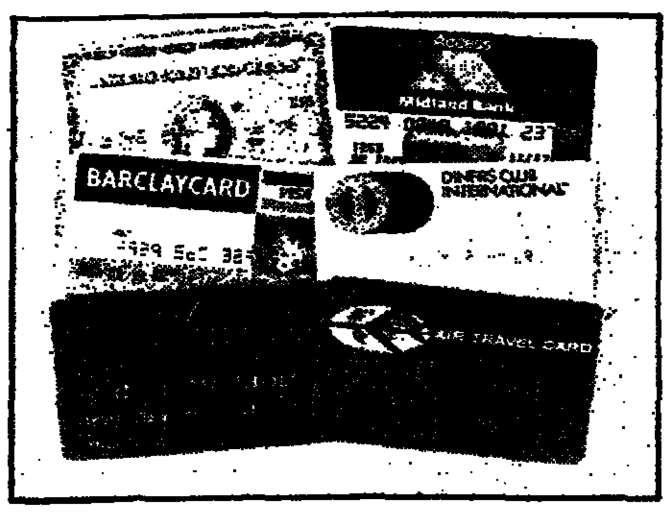
Raising cash quickly outside banking hours is a problem by no means confined to journalists sent off to cover breaking news stories. It applies equally to business men and women sent at short notice to negotiate or clinch an important export deal. Often the export markets are remote and far less financially sophisticated than the Philippines. So just where can you raise ready cash?

Most large companies have longstanding arrangements with their travel agents which allow business traveller to pick up cash or travellers cheques from their airport desks. But many smaller companies do not and a recent American Express study showed that more than half of all business travellers still make their own arrangements.

The journalist in question had been told that such an arrangement was being made for him. But he was less than convinced—he had already been given inaccurate flight information by the travel agent and was unable to raise him on his home or emergency numbers.

This particular cash crisis was solved by means of an Access card and the Thomas Cook office at Victoria station where he was able to buy travellers cheques — often as acceptable as cash at even the most unofficial of money changers.

The Thomas Cook office at Victoria opens from 7.45 to 22.00 seven days a week. So too does its Gatwick Airport office and it offers a 24-hour service at the Heathrow Penta Hotel. American Express cardholders can draw cash out of banking hours at Amex's Bureau de Change in the Haymarket. This is open from 12.00 to 18.00 (22.00 in the summer) on a Saturday and on a Sunday from 10.00 to 18.00 (22.00 in the summer).



There are also Amex representatives at the British Airways offices in Oxford Street and High Street Kensington which are open from 9.00 to 17.00 on Saturdays.

Soon, though, Amex cardholders will have wider access to cash. Its US and West German cardholders, who for some time have been able to draw cash from some 4,500 ATMs in North America and the Caribbean, can now do so in France at 600 cash dispensers operated by Credit Lyonnais. They are able to draw $500 a week.

By the end of this year they will be able to draw cash in the UK at any of Lloyds Bank's cash dispensers. This facility will also be available to UK holders of the Amex Gold Card who will be able to draw up to £1,500 a week.

Amex also has six cash points of its own in central London from which US and West German cardholders can draw cash. These are at its travel offices in Cannon Street, the Haymarket and Knightsbridge and at British Rail stations at Euston, King's Cross and Paddington.

Shared network

By the end of this year all Amex cardholders, including those in the UK, will have access to 600 cash dispensers of the shared link network of which Amex is a member. Twenty of those will be operated by Amex and will be part of the international network which it aims to install in 19 countries across Europe, the Middle East and Africa to dispense travellers' cheques as well as cash.

Access and Barclaycard and Standard Chartered Visa cardholders who have taken up the option of a PIN (personal identification number) can draw cash from the ATMs of the supporting banks. Usually the ceiling is £100 a day. Midland, however, restricts drawings to £100 a week although holders of its Mastercard Gold charge card are allowed to draw up to £1,000 a week.

Royal Bank of Scotland allows its Access credit card holders to draw up to £200 a day. Even so, such an amount would not take anyone very far on an overseas trip.

Visa Premium card holders do rather better—£250 a day or £1,000 a week. They can also buy £1,000-worth of travellers cheques at Barclays' Heathrow branch at Terminal Three which is open 24 hours a day. Midland, which is the only UK bank so far to issue a MasterCard Gold card (NatWest will soon), allows its cardholders to do the same at Midland's Heathrow branches at Terminals One and Two which are open until 22.00 each day.

There is also a reciprocal arrangement whereby Midland's Gold cardholders can draw £250 in cash at Barclays Heathrow branch and Visa Premium cardholders can do the same at Midland's Heathrow branches.

Holders of Access and Visa ordinary credit cards can use them to buy travellers cheques out of banking hours at their respective outlets — Thomas Cook and Midland or Barclays —up to their unused credit limit.

But drawing cash on credit cards is an expensive exercise. Access starts charging interest from the minute it is drawn plus a handling charge of 1.5 per cent. Visa imposes the same service fee but charges interest only if the amount drawn is not repaid by the payment date, after which it will start charging a higher rate of 27.2 per cent against 26.8 per cent for retail purchases. These are additional costs which the business traveller should remember to pass on to their employer.

Once overseas, cardholders can draw cash at participating banks and related travel offices —the equivalent of £100 a day for Visa, Access Mastercard and Midland Gold card holders. Visa Premium cardholders can draw up to £250 a day; Amex green or personal cardholders £100 in a three-week period plus £400 in travellers cheques; while Gold card holders can draw £250 in cash plus £750 in travellers cheques over the same period.

If they bank with Lloyds Bank or Grindlays the £1,000 can be drawn in cash. Diners Club allows its cardholders to draw $1,000 every 14 days at any Citicorp branch overseas.

Like Amex, Visa is also establishing an international cash dispenser network. It currently has more than 5,960 worldwide of which nearly 1,900 are in Europe, the Middle East and Africa with the highest concentration in France and Spain.

Until Barclaycard links up its network Visa only has 105 cash points in the UK at Standard Chartered and Trustcard outlets. By the end of this year it aims to have 12,000 in operation in 12 countries with 5,500 of these in Europe, the Middle East and Africa. Visa credit card holders can draw the equivalent of £100 a day and Premium card holders £250 a day. Access-Mastercard holders do not yet have this facility.

Visa's Premium cards and Midland's Gold card, like the American Express and Diners Club cards, are charge cards. As such they provide the traveller with great spending power since they carry no credit limit provided the £7,500 of the associated bank overdraft is not breached. They also offer additional benefits for the business traveller with Amex providing the widest range of services but Visa doing so through a larger number of outlets.

Such services include free travel insurance if tickets are charged to the card, free use of office facilities at key business centres, hotel and other reservation services, a 24-hour emergency telephone line and money transmission facilities including substantial amounts of instant cash when cards are lost.

A new departure for the card companies and one presumably aimed at seeing off the competition in the travel payment business has been the launch, first by Diners Club and then by Visa, of a travel voucher system. Some $15bn-worth of such vouchers were already being sold by travel agents throughout the world but the system was fragmented with no uniform clearing or payments system.

Attitudes

Travel vouchers, which are bought through travel agents, allow pre-payment of hotel accommodation, car rental and other travel costs. Since the hotelier and other service outlets are paid more promptly than by credit or charge card companies and travel agents are assured of getting their commission, travellers may well find themselves under increasing pressure in future to use this form of payment. For them, though, it is far less attractive than plastic money.

As with travellers cheques, payment has to be up front with the loss of the free credit period that comes with charge and credit cards—it can take months for bills to come through from some parts of the globe.

For those who do not have company charge cards there would be some advantage if their company pays the accommodation costs directly. But not all companies want to pay in advance, added to which meals and other hotel extras will still have to be paid for separately which may complicate rather than simplify bookkeeping.

If a business trip is not being undertaken in a rush and there is time to arrange travellers cheques, then they are obviously safer than carrying wads of cash. But they are not cheap. A commission of 1 per cent, sometimes more, is charged on purchase and it costs another 1 per cent to exchange them for cash abroad at rates of exchange which are often relatively poor compared with credit and charge cards.

However, several building societies which now supply American Express and Thomas Cook cheques do so free of commission.

More flexible, especially for travellers to Europe, are Eurocheques. These are guaranteed for the equivalent of up to £100 and can be written in 24 European currencies. They are accepted by some 4.5m retailers throughout Europe — including eastern Europe—as well as north Africa, Turkey, Israel and Lebanon. But as with credit and charge card there are still pockets, even in the developed world such as southern Italy, where there is resistance to payment in anything but cash.

But flexibility has its price. The cheques may come free but the supporting card, which can be used to draw cash from 500 ATMs in Spain, costs £3.50 to £4 depending on the bank and this has to be paid every time it is renewed. On each transaction the collecting overseas bank charges a 1.25 per cent commission.

If the user's current account on which it is drawn is not in credit and therefore eligible for free banking, a further charge of 30p will be deducted from the account.

Hugh Routledge

Bank of Scotland autoteller in an Edinburgh branch

Hotel chains are now turning their attention to women executives

Hotels see value in meeting special needs

Women Executives

FIONA THOMPSON

WOMEN ARE an increasing part of the business travel market, representing between 10 to 20 per cent of the total.

"Given that hotels are there to provide choice, the needs of businesswomen are felt to be an important part," is the policy of the Crest Hotel group and one which could not be argued with from a marketing standpoint—if the demand is there, supply it.

The question is, does one wish to be a "lady guest" staying in a "lady Crest room" and being looked after by staff who have been trained in "lady Crest policy"?

And what can the international hotel group Ramada mean when they say their unique training programme for staff dealing with travelling businesswomen "explains the niceties of how to present the wine list and bill when women are hosting a meal for male guests"? Is there some special way to hand a wine list and a bill to a woman?

Much of the advice on attitudes given to staff in hotels which have a policy on women travellers seems part basic politeness, part common sense. However, many of the additional facilities and services provided would equally appeal to men.

Having said that, surveys have highlighted a number of needs given high priority by travelling businesswomen and hotels are acting to provide them.

Top of the list is good security. Women want good locks, such as deadbolts, on corridor and connecting room doors and feel that security chains and spyholes should be standard. Front desks should be staffed 24 hours a day and procedures should be followed to ensure privacy of room numbers.

At a number of hotel chains it is now policy for reception staff checking-in women not to mention the room number. The key is put inside a folded card with the room number printed inside. An extremely simple procedure but most reassuring.

Many women complain about the way they are treated in hotel bars and restaurants. Research carried out by Ramada showed that 60 per cent of female executives spent most of their free time in their hotel rooms "rather than face discourteous treatment in the hotel's public areas."

An Automobile Association survey of women hotel users in Britain reported that a woman alone in a hotel bar was invariably ignored.

Worse than being ignored though was having one's presence misinterpreted. Crest puts it quite bluntly in their advertisements. "I don't have to take my briefcase into the bar to prove that all I want is a drink," says the businesswoman extolling the virtues of "finally finding a hotel that treats me like a man."

Crest has been conducting research into the special needs and reqirements of its "lady guests" since 1983 mainly through a series of questionnaires. Each hotel has a training officer who instructs staff to be especially aware of, for example, not leaving women waiting for service in the bar.

In the AA survey, 63 per cent of the businesswomen interviewed complained about being given a room a long distance away from the hotel's reception, restaurant and other central facilities. Linked with this was a general dissatisfaction with the levels of porterage with 51 per cent rating it poor.

The question of facilities available can also cause concern. Hairdryers, full length mirrors and skirt hangers are the items most frequently mentioned in survey questions asking what should be standard in hotel rooms. Also better lighting and an iron and ironing board as pressing facilities are often unavailable after a certain time.

In the AA guide to hotels and restaurants in Britain, AA hotel inspector Fiona Marr highlights the problem of hotel rooms designed purely with the needs of men in mind.

"There are trouser presses, shoe shine machines with brown and black polish and shaving mirrors with electric sockets and lights. But where are the skirt presses, the machines for blue, grey and plum coloured shoes, proper dressing table illumination, convenient electric sockets for hairdryers and adjustable back-view mirrors."

Overall, it is the question of attitudes which concerns travelling businesswomen most. Ms Christine Cavolina, who has spent the past eight years travelling for 35 per cent of her time in her job as European director of advertising for the Institutional Investor, feels things have improved recently.

"Over the past five years there have been lots of changes. I see hotels making much more of an effort now to cater to businesswomen, especially in restaurants, being given a good table for example. Perhaps they didn't think of it before."

As the number of women travelling on business increases, hotels could be ignoring their needs at their peril.

Travellers cheques widen horizons

THE BIG travel companies are constantly on the look out for expanding services for the business traveller. Although not specifically designed for the businessman, the Ecu travellers cheque, the brainchild of Thomas Cook Financial Services, will certainly be useful for the traveller, business or tourist, who is constantly crossing frontiers in Europe.

The European Currency Unit, although it has no coins or banknotes of its own, is according to international banking figures, the fifth most popular world currency after the US dollar, the Swiss franc, the Deutsche mark and the Japanese yen. It is also the third most popular currency on the Eurobond market and is used as a major unit of loan, investment and settlement activity.

The Ecu travellers cheque can be encashed in thousands of bank branches across Europe and can be exchanged for any of the ten major European currencies. Its value is based on a basket of these currencies.

Mr Roger Taylor, Thomas Cook regional director for the UK and Ireland, said that as a result of monitoring what was happening in the European currency market it was seen that the Ecu was becoming more popular. The Ecu travellers cheque is at the moment only obtainable in Thomas Cook outlets in the UK and through the Midland Bank, of which Thomas Cook is a subsidiary.

It is also obtainable through one or two overseas banks with bases in London. Later, it is hoped that the cheque will be acceptable in the retail sector in the European countries.

Last week, the business travel service of Thomas Cook found another niche to move into: the provision of a "full protection" package for its business travel clients. This puts special emphasis on security, health and insurance and is aimed at the businessman. The service could even include a bodyguard for people going to trouble areas.

"We are fully prepared to get a client into any country or any situation, Mr John McEwan, managing director, said.

"Other than the security aspect, we have such detailed information on foreign countries that we are able to pass on this data or the experiences of other clients to someone who might be travelling to a particular area for the first time—provided, of course, they are from non-competitive companies."

Another "cossetting" of the business traveller is in the area of health and Thomas Cook is offering to arrange for a positive health screening—not forgetting one for the businesswoman—at various centres throughout the UK.

Arthur Dawson

Search for new ways to control travel expenses

US cost control & management

FRANK LIPSIUS

THE COST of business travel in the US rose by only 2.8 per cent in 1985. Competition among airlines kept fares to a 2.2 per cent rise to restrain the overall average as computed by Runzheimer International, which calculated car rental increases of 3.8 per cent, meals 2.4 per cent and hotels 5.3 per cent.

Helping to hold the lid on business travel expenses is the concern of the corporations that have to pay for them. American Express Travel Related Services Company, a part of the large travel, credit card and banking company, showed in a survey conducted in 1984 that travel-related expenses are the third largest controllable corporate costs, after salaries and data processing.

With annual travel expenditures of more than $80bn, corporations are finding new ways to monitor employee travel and entertainment expenses while the travel industry responds, with varying degrees of willingness, to the demands for such controls.

Travel providers line up on the side of the employees or their bosses, a division that started blatantly five years ago with American Airlines' introduction of frequent flier bonuses. A clever way to build traveller loyalty, the plans give free tickets, cabin upgrades or other rewards depending on the amount of accumulated miles on the carrier. Travellers suddenly had an incentive to build mileage with a particular airline regardless of the cost to their companies.

Almost every other airline serving business travellers followed with its own frequent flier plan. It is estimated that 10m Americans are signed up to the ten largest airlines' programmes.

Even Presidential Airlines, which started a low-cost service out of Washington's Dulles airport last October, got 10 per cent of its 7,000 fliers signed up to a frequent flier plan it says it has to have "if we are going to compete," according to Mr Geoffrey Crowley, the line's vice-president for marketing.

Among reasons for choosing a particular airline, the bonus coupons motivated business travellers' choice second only to the carrier's actually serving the destination.

With hotels, car rental companies and other airlines all linked in different plans, travellers have every incentive to ignore costs and build points for their own private travel. American Airlines' Addvantage, for instance, is linked to Avis car rental and 3,000 Sheraton and Inter-Continental Hotels, while Hertz car rental is tied in to Pan Am, Piedmont, Republic Frequent Flier, TWA, United, and USAir. Marriott hotels gives frequent-flier bonus miles on Continental, Eastern, and TWA plans.

Mr Roger M. Ballou, executive vice president American Express TMS: 500 companies using Travel Management Services

The tide is turning, however, as the expense payers take the initiative to cut down on the waste of time and money frequent flier programmes have cost them. Last year, Envicon Capital Corp started what became a class-action suit against seven airlines to reclaim the bonuses because, they argue, the companies and not the traveller is the "rightful owner" of the bonuses.

At the same time, a congressman from Tennessee proposed a law to make airlines report the bonuses to the Internal Revenue Service so they can be taxed as income to the bonus recipients. Though the law seems unlikely to be enacted and the court case has an uncertain future, travel companies have become more responsive to the call for containing employee expenses.

The American Express survey of company travel policies in 1984 was done in conjunction with its own programme to help companies better control their travel and entertainment expenses. Using its unique combination of travel agency and credit-card facilities, American Express offers to provide travel services while monitoring the employees' actual activities.

Called TMS, Travel Management Services, the American Express service is not, emphasises Mr Roger H. Ballou, the executive vice-president-TMS, meant to win airfare bonuses back for companies.

"We encourage companies to let employees keep their bonuses," he notes, "though we also make sure they get the lowest available fare." Having almost doubled in 1985 to 500 the number of companies using TMS, American Express works with the client to establish policies which are then implemented for individual travellers.

American Express will also court potential clients by providing them with consultants who point out weaknesses in existing travel policies, whether they are long-standing advances employees avoid repaying the company or evidence of grocery receipts being used as company expenses.

American Express stresses the importance of formal travel policies that reflect the company's real interests. They may want to contain costs or provide the maximum comfort to the traveller. The policy needs to be explained along with the reporting procedures. Although emphasising the flexibility of the system, the policy makers should be firm in keeping to the system.

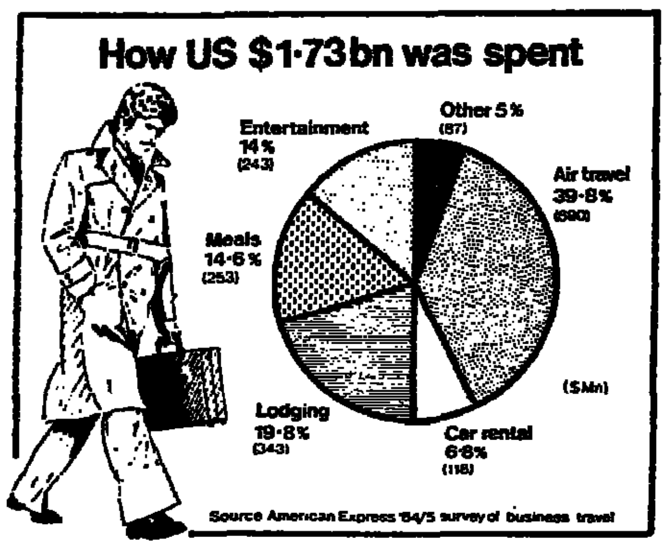
Manuals for employees should show how to fill out expense reports, identify what documentation the reports should have, and note the guidelines for getting approval when required.

Once TMS is implemented, American Express keeps company and employee profiles in computers to make sure to book the lowest fare in the permitted category. Mr Ballou emphasises that the system is not limited to large companies trying to hold down expenses.

Even for consultancy firms where expenses are not monitored to keep them low, TMS enhances efficiency by keeping up with fare changes, having a 24-hour 'phone service and worldwide facilities.

Among the 500 companies using TMS are IBM, Westinghouse, and Nestle, where Mr Ballou says, the point is not to eliminate inhouse travel staff but to allow them to monitor policy rather than book fares. The full cycle of TMS includes reporting back travel expenses for employees to show where they did and did not follow company policy.

Although the systems need not be so elaborate for small companies, American Express is actively soliciting business in all categories of company size through direct mail and sales staff.



American Express does not charge companies for using TMS. The cost is paid indirectly through payments for American Express cards, which many companies provide for their employees anyway, and the fees generated from carriers for booking flights like any travel agency.

In providing the extra services, American Express is linking computer entries for cards and travel bookings with profiles of individuals and companies to create a more complex reporting system than was previously provided.

American Express recently conducted a survey of company travel policies in Europe. It has identified a need to extend TMS to Europe, but has to improve the company's internal computer capabilities before being able to implement the service. But any company can start its own cost-containment policy with an audit of travel practices and the implementation of policies to reflect a thought-out concern for what a company really wants to provide employees with in their business travel.

American Express Travel Management Service's on-line monitoring of corporate travel and entertainment expenses, via Prestel

Move towards 'no frills' business trips

Air travel costs

ALLAN BEAVER

COST IS A very important factor for no less than 70 per cent of business travellers, according to a survey undertaken a few years ago. Even in the supposedly rich, expense account, world of business trips, 36 per cent of respondents saw themselves as cost driven, and placing a high priority on no-frills travel and accommodation, with a further 34 per cent very cost-conscious, but concerned to get good value for money and willing to pay for good quality service. Only 30 per cent claimed to be not bothered about cost, and ready instead to seek out first class hotels and travel services.

For those who do need to look at the total cost—and for those who perhaps have not always done so in the past—the following are some useful tips on how to get the best deal when travelling by air.

● Are you absolutely certain you will be able to keep to times and dates of travel? Remember that lower air fares are often inflexible. If you alter your trip, you may lose the total cost. Iata airlines seldom enforce cancellation or even no-show charges on higher price tickets.

● How much travel risk are you willing to take? It may be foolish to join the standby queue at the end of July, but trans-Atlantic standby tickets are usually available in mid-February without problems.

● What about other risks? Will you deal with disreputable companies which might involve losses? Some of the cheapest air tickets infringe airline rules. Back dating the issuance of advance purchase tickets and foreign currency ticketing (sometimes called cross border selling) are typical examples, but there are many more.

● How much comfort do you want? Is there a company policy about who may travel first or club class and whether this is limited to journeys over a specific duration. Travellers should be flexible regarding their choice of airline. Restricting travel to a named airline often restricts the fare options.

There are other checks which the business traveller is entitled to expect, at the very least, travel agents to make. If you do not have a company travel manager, then undertake a spot check, several times a year just to make sure you really are receiving the best possible deal.

● Is there a special low cost fare available through a consolidator or bucket shop, or reduced rate travel on the particular route involved negotiated by your agent. Alternatively is there a charter flight or minimum rated package tour (MRPT) available to the destination involved? (An MRPT provides nominal accommodation to comply with the regulations—in effect, only a return charter flight). Most big tour operators offer this.

● *Is there a cheaper individual* or group inclusive arrangement which will cover all or part of the journey planned? For example, cut-price arrangements incorporating charter or scheduled air flights are available to a vast number of trade fairs, conferences and exhibitions. You do not have to attend the event to qualify for the reduced price.

● Will any other type of group air fare or perhaps a spouse fare apply, if you are travelling together with someone else?

● Is there a scheduled air excursion fare applicable to all or part of the planned itinerary? Minimum and maximum stay rules are designed to make it difficult for businessmen to use these fares.

Another Iata regulation prevents the sale of excursion tickets in countries other than those from which the excursion fare applies. But it is neither illegal, nor wrong for you to instruct your associates in the Far East for example to book an excursion ticket for you, which you will collect on arrival. Consider flying via a European point. Many European carriers can offer worthwhile savings from their homebase, particularly on long journeys.

● Supposing you altered or postponed the date of travel? Is there any alternative air fare, including those with an advanced booking requirement, which might then apply?

● If after taking all the above points into account, a full price-scheduled air ticket is inevitable, it may be possible to visit more places than originally planned at little or no extra cost by taking advantage of the Iata mileage system. Thus it may be possible to combine several trips on the same ticket, using mileage to best advantage.

Service more important than price

Car rental

DAVID CHURCHILL

FOR THE business traveller, the choice of which company to rent a car from depends on several factors. Increasingly, however, the trend is towards executives seeking convenience and service rather than price as the key determinant of which car rental company is chosen. After all, no businessman wants to face further delays after a long flight and clearing customs — so speed and convenience of service at airports is very important.

The business traveller, moreover, appears to be rather a fickle customer for the car rental companies — a Sierra is a Sierra, after all, and so the seasoned executive will look for that extra level of service when hiring a car rather than sticking to one particular rental agency.

Not every executive is free to pick and choose among car rental companies because of the special deals already lined up with their companies. But perhaps it is a sign of those with high flying potential who are able to buck the system and rent whichever car is more convenient for them at the time.

The car rental business in the UK is itself an industry where there is a lot of potential rather than actual usage: only three out of every 10 people in the UK have ever rented a car, for example, compared with seven out of every 10 in the US.

This makes the UK market both an attractive one from the major rental companies' point of view — but represents a nagging problem as to why rental is not more popular.

Accurate figures on the size of the UK rental market are not readily available but a recent market study published by Budget Rent A Car, based on research from Mintel and the British Market Research Bureau, suggests that the total short-term car and van rental market was worth £370m last year.

This comprised turnover of £290m for car rentals — some £20m higher than in 1984 — and £80m for van rentals, a rise of £10m on the previous year.

The study, based on a survey of over 1,000 users, found that 60 per cent of the total market were business users while the remainder used car rental as part of their leisure activities.

According to those surveyed, price was no longer a major preoccupation with car renters when choosing a rental company. Some 61 per cent of business users, and 41 per cent of leisure users, gave priority to convenience of pick-up point. This factor weighs heavily in favour of the national rental companies with more outlets for rental and return.

The study estimates that 6 per cent of all new cars are purchased by the short-term rental companies, with a total rental fleet standing at 100,000 cars and 25,000 vans.

A buoyant outlook is forecast for the industry as a whole, helped along by such factors as the decision of many companies to abandon pool car fleets as a cost-cutting measure and to rely on hire contracts which do not carry the overheads of a in-house fleet of cars.

The six largest operators in the UK, according to this study, are Godfrey Davis Europcar, Hertz, Avis, Swan National, Budget, and Kenning. The survey suggests that these six rental companies will take an increasing share of the market but acknowledges that small operators still have a role to play, albeit in service local, short-distance needs.

Europcar, which claims to be the UK's oldest and largest car rental company, operates a rental fleet of over 8,500 vehicles covering over 35 models. It offers rental facilities at over 270 locations, including full service on-site offices at 75 main UK railway stations and at 27 UK airports.


Ashley Ashwood

Executive car service provided by Hertz/British Caledonian

Upkeep

Worldwide, Europcar International is one of the three largest rental net works in the world, operating in 110 countries with 127,000 vehicles at over 3,000 rental locations.

Mr David Hardman, Europcar's managing director, says that "the business market is booming." He believes that the reasons for this growth include the greater efficiency and speed of car rental services around the world.

"Few companies can provide suitable vehicles, in tip-top condition, at short notice, or can afford the upkeep of a fleet of the size and calibre necessary to meet these requirements," he says.

Cost efficiency is important to the business traveller, he stresses. "A busy executive cannot afford to waste his time — he needs to know that he will never have to go far to collect or return his vehicle."

Swan National, a subsidiary of the Trustee Savings Bank, has a fleet of some 8,000 vehicles and 100 branches in the UK. The company estimates that about 80 per cent of its rental business is from the business traveller.

Swan National's business travel service includes an hotel accommodation and rental package which cuts down on administration, since only one booking call is required and one invoice issued.

Mr Tony Grimshaw, managing director of Swan National rentals, points out that only one in five companies approaches car rental requirements in a systematic way by opening accounts with one or more of the major rental operators. "Instead, companies instruct personnel to rent a car if necessary and claim back the charge on their expenses," he says. "This is a very costly way of purchasing car rental."

UK car rental

Estimated market shares 1984

	% value
Europcar/Godfrey Davis	12
Swan National	12
Avis	8
Hertz	8
Kennings	6
Budget	6
All others	48
	100

Source: Mintel estimates.

Without an account with a rental operator, a hiring company is unlikely to qualify for a discount and there is little control over the type of car rented and less control over the period of the rental, he adds.

The major national car rental companies all offer favourable terms to account customers and a variety of services such as central reservations, free delivery and collection of vehicles, one-way rental facilities, and central billing.

Budget Rent A Car mainly operates as a franchise system in the UK whereby retail motor dealers can offer a car rental facility in addition to their other activities. Apart from some 120 outlets throughout the UK, Budget last year opened booking desks within the three terminals at London's Heathrow airport.

This was part of the British Airport Authority's campaign to increase the use of airport car rental facilities. Rental desks as terminals have increasingly been by-passed as computer technology takes a grip on the car rental business with bookings made in advance. When Budget moved into the Detroit and Miami airport terminals in the US, car rentals went up sharply.

While Budget, as the name implies, is a "value for money" rental operator, the main thrust of the business rental market is still towards service rather than price. Hertz, for example, has introduced a computerised routing system for business travellers which enables city centre renters to find their way to a hotel or conference centre with the aid of a detailed print-out of the route.

Avis also has a system in the UK whereby business travellers on the British Airways super shuttle routes can book their car on the flight and on arrival be told exactly where it is in the car park.

The message is clear in the increasingly sophisticated and competitive rental market: the business traveller is a customer worth wooing.

Hugh Routledge

Car rental reception desk at Terminal 3 arrivals, Heathrow

Spenders move away from big chains

UK Hotels

FIONA THOMPSON

HOTEL GROUPS love business travellers. They may be demanding, sometimes obstreperous and nearly always want everything 10 minutes before they have even asked for it, but they do want the best and are prepared to pay for it—or at least have their companies pay for it — without quibbling over the price.

Hotels will always welcome the individual guest and convention groups, but the "return per unit" just does not add up. The individual is far more concerned about watching where the money goes.

The fact that more and more business travellers are taking advantage of "no stop" check-out facilities — whereby accounts are posted on or all credit card details are taken on arrival and the bill signed then and there — indicates a certain laissez faire attitude that few individual travellers possess.

Company accountants may squirm, but it is the rare employee who can honestly say he considers every penny of his company's money as carefully as he would were it his own.

For business travellers at the very top end of the market there has been a trend in recent years away from the big hotel chains towards the smaller, exclusive hotel. The most up-to-date facilities are available in these luxurious, many "all-suite" properties, and the service is on a more personal level.

The trend towards the smaller properties, especially in the US, has prompted more of the larger hotel chains to promote the executive floor concept, where a complete floor, sometimes two or three, is given over to providing a special service for the business traveller.

Extra facilities are made available, such as out of hours secretarial services, free newspapers, complimentary continental breakfasts, free cocktail snacks and drinks. In some cases these bear little relation to the additional premium charged. What the guest is really paying for is the status of being on the executive floor and the club atmosphere that goes along with it.

Corporate treasurers' doubts notwithstanding, in many instances the return is well worth the outlay. Business travel may seem glamorous to office bound staff but any survey of executives who travel frequently shows that for many people it can be a lonely, exhausting and sometimes tedious experience.

There will always be sophisticates happy to make solo discoveries of the best restaurants in Kinshasa and Rio but equally many business travellers would prefer to go on such jaunts in company.

Fellow enthusiasts can be met during the cocktail hours held exclusively for the executive floor guest in a private lounge.

Business travellers on the Executive Floors of the London Hilton on Park Lane have the free use of a separate meeting room for small informal discussions

The advantages to the hotel chain of an executive floor is that for a not very substantial outlay, they can charge a premium in the same way as airlines do for their club or business sections on long haul flights.

The big chains hope to encourage initial interest and return bookings by the use of three different schemes—the basic executive club membership, discounts, and loyalty programmes which offer bonuses.

Discount

To many hardened travellers, Club executive membership, for example, the applicant must have stayed at one of the group's hotels on six occasions within the past year. Membership does not entitle the holder to discounts, but it does offer preferential handling of reservations, rapid check-in and check-out, extended check-out times for no additional cost, automatic upgrading of accommodation, special gifts such as aftershave or perfume and cheque cashing facilities up to £250.

Programmes such as these tend to appeal to the individual traveller. In addition, virtually all the major hotel groups offer corporate discount schemes to companies which will guarantee the group a certain number of room nights per year.

For a firm commitment to book anywhere from 100 to 500 room nights a year, the large groups such as Sheraton, Inter-continental, Hyatt, Trusthouse Forte, Westin, Ramada, Marriott, Crest, Thistle, Holiday Inn offer corporate rates with a discount averaging about 20 per cent.

Corporate business represents a significant, substantial part of most hotel groups business.

Crest Hotel's Business Club offers companies discounts of 10 to 15 per cent for a commitment of 250 nights a year. Company employees receive priority booking, the best room available of executive standard, plus little treats like fresh fruit, extra toiletries, bathrobes and magazines.

Crest is also one of the hotel groups which operates a loyalty club scheme. Under the Frequest Guest Programme, a guest is allocated a stamp for each visit and entitled after 20 stamps have been collected to a free three-night weekend for two in any of the chain's UK or continental European hotels.

According to Mr Peter Pal, marketing manager for Crest Hotels, the company has been very pleased with the performance of the loyalty scheme.

Crest is unusual in offering the free weekend bonus as very few hotel chains offer prizes in the UK. Such schemes are, however, very common in the US.

Quality control of services and facilities in the large chains has led to a certain amount of international uniformity. While this will never be totally universal, nor presumably would most people wish it to be, it can be reassuring to the business traveller and indeed to his or her company, to know they can rely on a certain standard of efficiency, security, and facilities.

New technology has had a considerable impact in dealing with reservations and increasingly is important for more business travellers as the ability to confirm and change arrangements becomes more crucial.

Again the large chains benefit here by their ability to negotiate terms with individual companies on a national and often global basis.

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How railways in most industrialised countries are chasing a lucrative sector

BR aims for up-market image

British Rail

ANDREW FISHER

IN THESE cost-conscious days, British Rail is trying to woo the business traveller with a whole new range of services, special offers, and standards of comfort. At the top end of the market, passengers seem to welcome BR's sharper, more commercially-minded approach, though complaints and scepticism continue.

"We want to cosset the passengers," says Mr Gordon Hall, project manager for the Pullman lounges, now being installed at several main stations. So BR is brightening up its carriages and intends to offer a much wider variety of food and drink.

The Pullman image, a revival of the concept first developed by George Mortimer Pullman in the 1850s, is heavily stressed on InterCity services. The traditional grey and subtle pink decor of the Pullman service is replacing the harsher colours of the past.

But not all business passengers go first class. Those whose companies are not so well-off, or simply meaner, have to put up with the less plush second-class carriages, though BR is trying to smarten these up, too.

About 40 per cent of business travellers on the InterCity services—covering routes between London, the North and Midlands, Scotland, Wales, and the West country—go first class. BR reckons InterCity has about 30 per cent of the total British business market of 80m journeys a year, not including commuting.

Air travel, especially on long routes such as London-to-Scotland, has a large chunk of the market. Cars are also widely used on short and medium routes. But many executives prefer, on journeys of a few hours or so, to stretch out in the train and work or be pampered.

BR says business passengers have responded to its more service-minded policies, which include tie-ups with American Express, Trusthouse Forte, and Rank Hotels.

The Pullman lounges have certainly been popular. BR has revived the tradition begun by James Allport, the general manager of Midland Railway, who introduced Pullman dining and sleeping cars into Britain in the 1870s.

BR opened the first of its new Pullman lounges at Kings Cross station in London a year ago. By August, some 10,000 people had used it. Last October, it opened one at Euston and a similar number of travellers had whiled away time before journeys by the middle of February, 1986.

Pullman lounges

Others will be opened at Leeds (in May), and Newcastle, Edinburgh and Glasgow (June and July). The Scottish ones will be ready for the Commonwealth Games in Edinburgh at the end of July. Mr Hall says there are plans for lounges in the Birmingham stations (International and New Street), Preston and Cardiff.

To be allowed into a Pullman lounge, you need a first-class ticket, not just a season ticket, and an American Express card, though you will usually be admitted without the ubiquitous blue card and be given an application form. BR's own Travel Key or InterCity Pullman Club cards will also do nicely.

The Euston lounge, with telephones, a copying machine, cushioned seats, desks, a television, plenty of greenery, and a prominent drinks tray looks like a mixture of miniature airport lounge, hotel lobby, and smart office reception area.

American Express sees it as a way to encourage sales of more cards and also as an extra service for those who have them already. The jaded, or just plain hungry and thirsty, traveller can wash down an open sandwich, say smoked salmon at £2.45 or honey roast ham at £1.90, with half a bottle of Bordeaux Superior at £3.90 (£6.90 for a full one), or Chablis at £4.55 (£8.85).

Champagne, aperitifs, and spirits are also available, as are slightly cheaper table wines, tea and coffee, all served by friendly hostesses. Loudspeaker announcements are filtered discreetly into the lounge. There are even Pullman Club wallets, ties, and scarves on sale.

To many hardend travellers, well-used to delays, poor service, and lack of comfort, the Pullman extras will be merely fancy frills, not really touching the root of the problems and needs of business travel.

More people have complained recently about BR's punctuality and standards, says the Central Transport Consultative Committee, the watchdog body. The CTCC said kindly in its last half-yearly statement: "Many of us feel that British Rail *potentially* have a fine railway system."

It made clear there was still a long way to go. The proportion of express trains, which business travellers would most often use, arriving on time or up to five minutes late was 77 per cent in April-September, 1985, against 80 per cent the year before and BR's own InterCity target of 85 per cent.

Southern Region reached the BR target during those months, with Scottish and Western Regions at 78 per cent. Eastern at 71 per cent, and London Midland at 67 per cent. The latter was sharply down from 1984, while Western was up and Eastern, Scottish and Southern all slightly lower.

For other trains, the punctuality figure was an impressive 92 per cent. Of all scheduled services, just 1.3 per cent were cancelled. Complaints from the public received by BR between April and September jumped from 35,000 to 51,000. They were mostly about fares, timekeeping, passenger information, and train service quality.

Higher fares

BR put up most Inter City fares recently by 10 per cent, more than the inflation rate. The increase lifted the cost of a first-class return between London and Liverpool to £76.

On one recent Pullman trip from London's Euston to Liverpool—the carriage was named John Lennon—on a cold February evening, the train left smoothly but arrived half-an-hour late.

But aboard the train, the service was more like a restaurant than what people generally expect from BR. The menu included roast beef, halibut and ham and chicken salad, with starters, desserts and wines also available, as well as sandwiches and beer.

The food was solid rather than delicate, but tasty. BR, however, has been experimenting with so-called "modular" catering, with outside firms cooking food and chilling it for delivery to the train where it is reheated. Train staff serve the meals but do not have to cook or wash up.

BR is spending £12m on modernising train kitchens. It says that by farming out more services, it can offer a wider variety of meals than can be cooked on a train. Trusthouse has carried out the trials on the Manchester-London run, where menus have included venison, grouse, and pears in wine.

The service will be extended to London-Manchester and then other trains on a competitive tendering basis. On second-class, drinks and hot and cold snacks will be wheeled by trolley through the train, with a bistro-type restaurant also open for all passengers, as well as the usual buffet counter and first-class service.

On the more specifically business-oriented front BR has not geared itself up to providing the sort of services that they would find in their own offices, though access points for small personal computers could come in one day. The idea of secretaries on trains was tried in Germany, but dropped as passengers did not use them.

Putting even minimal office facilities on trains would require a major rebuilding of carriages, BR says. Soundproofing and privacy would be essential, and the railway does not reckon that business travellers would use them, especially in view of the German experience.

But, as with the hostesses on German trains, BR intends that its Pullman staff should be able to help travellers book hotels, order cars, and help out in other personal ways, which stop short of actually taking dictation and typing letters.

What it all adds up to is a greater bid by BR to earn money from its passengers. Business travel accounts for 37 per cent of the £540m annual revenues of InterCity, now charged with improving its finances. So BR is adopting more eagerly the basic business tools of research, marketing and promotion.

The InterCity Pullman lounge at London's King's Cross station and (below) travelling first class on a High Speed Train

Lunch on the German Federal Railways is in new air-conditioned carriages

Business services continue to expand

World Rail

ANDREW FISHER

FOR BUSINESSMEN around the world, trains are often the best way to travel for meetings with customers, contacts, or colleagues. If distances are too long or too short to make rail journeys practicable, cars or airlines are the obvious choice.

Conscious of growing competition, many national railways are trying to reconcile the aims of providing a service and at least trying, if rarely succeeding, to move into profit by stepping up standards of service and widening their range.

Thus Deutsche Budesbahn (German Federal Railway) has developed a whole package of services for business travellers, including special parking facilities, personal service aboard trains, and tickets that enable companies to send staff anywhere on the route network for payment of a fixed sum.

In France, the sleek orange Trains a Grande Vitesse (TGV), with their aggressively pointed front sections, have come to typify the emphasis on speed, luxury, and service of SNCF, French Railways.

In the US, on the other hand, where the luxury Pullman car service was first developed, trains have tended to be less favoured by business people. Distances between cities are just too great and air travel is cheap and widespread.

Japan, another country with a strong rail tradition, has taken greater steps to keep its railways in the forefront of the travelling public's consciousness. Its snub-nosed bullet trains, slower than the more modern 168 mph TGV, race smoothly across the Japanese countryside.

But Japanese National Railways is grossly over-staffed and seeking desperately to reduce its hefty losses. Privatisation is proposed. Business travellers, however, are not suffering. Standards of service on trains are high and punctuality is awesome.

On first-class cars between Tokyo and Osaka, two-storied carriages are being introduced to vary the ride. There are special rooms where groups can meet and each bullet train has two telephones, also a feature on fast trains in the UK, France and Germany.

SNCF is extending its TGV service towards the Atlantic coast, the original routes stretching between Paris and Lyon, with extensions further south. Recently, it introduced a new first class service, Le Nouvelle Premiere, to win back those who had switched to second class.

TGV success

The new express began between Strasbourg and Paris last December as a very up-market service to combat airlines, the effects of economic recession and the decline of its own first-class market. Since 1975, first-class rail travel in France has been on the decline after rising quickly in previous years.

Part of the problem has been SNCF's own success in tempting passengers on to second-class by raising the quality of the trains. The TGV also encouraged more people to travel second-class, as the cut in journey times made many people decide it was not worth paying extra for first class.

So the new service is seen as one way of recovering market share among high-paying business and other travellers. The trains have minicomputers to help alleviate boredom, as well as earphones and music tapes.

The emphasis in the restaurant and other services is on style and expense, and SNCF feels justified in offering Le Nouvelle Premiere at a premium over normal first-class. SNCF will install telephones and has put in dictaphones for keener business travellers. Seats must be reserved and taxes are lined up for those needing them at their journey's end.

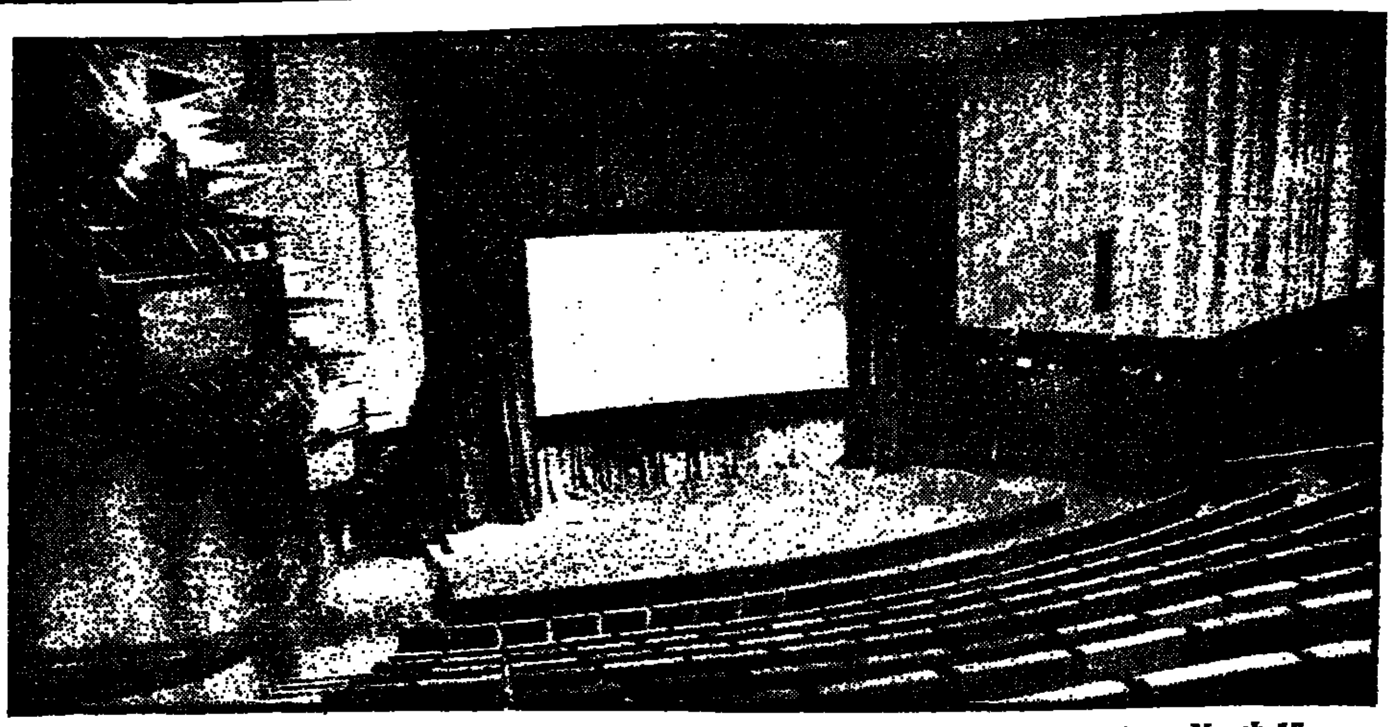
In Germany, the approach is rather different. The style and service is certainly there, but the practical side of business life is also taken into account. A few years ago, Deutsche Bundesbahn even offered secretarial services on its trains, but found these were hardly used. The idea was dropped.

DB has produced a special booklet to tell companies and businessmen about travel on its InterCity network. Special parking spaces are offered near station platforms. As with any self-respecting railway trying to please the business world, telephones are provided on board.

There are conference compartments for business meetings. Attendants help passengers with luggage, show them to their seats, and advise them on timetables and connections. Companies can buy special yearly season tickets, entitling any employee to travel anywhere at any time. It costs DM 11,520 (£3,570) for first-class and DM 7,680 for second.

Less pricey is a network season ticket for one person at DM 8,990 for first—and DM 5,990 for second. Blocks of tickets can also be bought by companies for use by anyone. These are for 10,000, 25,000, or 50,000 kilometres, the latter giving a 20 per cent discount on the regular fare. With these, several people can also travel at once.

Apart from the practical and financial aspects of rail travel, railway operators know that people like to be made to feel important, by their companies or those serving them on their travels. International railways are trying to do both.



London's Barbican Centre, where the Business Travel Conference and Exhibition starts on March 17 has a 280-seater cinema which contains the latest conference facilities

Success needs right ingredients

Conferences

WALTER ELLIS

DO-IT-YOURSELF conferences are like do-it-yourself conveyancing. You can follow the rules step by step, and still find yourself hopelessly muddled at the end.

There is no doubt that it is possible to organise a conference without the services of a professional. The adage that the cobbler should stick to his last does not hold universally true. But the pitfalls faced by the amateur are many and the company director or marketing manager striding out on his own has to be fleet of foot to avoid them.

Conference organisers, in this context, should perhaps be viewed as estate agents. They take their fee and they may not always appear to have earned it. Yet the show is generally put on the road and, while the delegates are talking, someone is generally on hand to ensure that operations continue smoothly.

According to a recent survey carried out by Intermarket Research for Spectrum Communications, conference organisation is not a full time function in most companies in Britain. Only five out of 183 companies surveyed employed a manager with "conference" in his job title. In most cases, the responsibility was associated with sales and marketing, but every position in the industrial hierarchy was represented, from managing director to office secretary.

There was also an impression among staff—strange when it is realised that 40 per cent of UK companies run conferences—that the task of organising such meetings was a chore to be shared around rather than a career step.

For the company determined upon an in-house conference, the obvious first step is to put someone in charge, provide that person with reasonable backup and set aside an adequate budget. Clear direction is essential if muddle is to be avoided. The chairman or marketing manager, or whoever else has decided that a conference should be held, needs to decide first of all what the point of the conference is.

If the conference is being held in order to provide the company's staff with information, then it has to be decided to whom this information needs to go. There is no point in providing blanket coverage. The advantage of keeping everyone informed can easily be negated by the effect of having to scatter facts around those who cannot readily make use of them.

Moreover, if the audience is not receptive by virtue of having only a loose involvement with the matter under discussion much valuable time can be wasted.

Visual aids

Secondly, it needs to be established early on who can provide the information. If outsiders are needed, they should be contacted early on and engaged. Backup, in the form of video equipment, charts, tables and projectors should be assured from the beginning. Again, if an outside contractor is needed to provide the visual aids, the job should be assigned at once and an immediate liaison established between the source of the information and the professionals who will display it.

If, on the other hand, the conference is being "given" by a company in order to promote a new technique or product, then it must be agreed where and who the market is for what is on offer. The scatter-gun approach is best avoided.

Research has shown that inviting people—at considerable expense—who care little or nothing for the exercise, is counter-productive in the extreme. A specialist audience of real potential customers is likely to prove much more effective than a gathering of the clans, anxious to get a glass in their hands.

Press invitations have also to be considered. The trade press is often helpful here. An invitation to the news editor of a popular tabloid to attend a product launch will almost certainly end up in his waste basket. Invitations must be targeted. It should be discovered, by means of a telephone call, who the relevant writer is.

The location for a conference or seminar is obviously crucial. A product launch must take place in surroundings which those invited to attend might reasonably be expected to find attractive. A downtown hotel is one possibility; so is a suburban venue with ample car-parking space.

Most important, though, are the facilities available. Here, a product launch differs from a full conference, and a three-day get-together from a two-hour meeting. If 100—or 500—people are expected to stay in one place for three days, thought must be given to how they are going to occupy themselves when they are not dealing with the main business in hand. Bedrooms have to be assured (overbooking is rife). Facilities have to be up and running.

Conference organisers exist to help companies avoid these complications. They may charge sometimes a hefty fee for the privilege, but the extra cost is frequently worthwhile. The Association of Conference Executives (ACE) in Huntingdon is the main body representing the industry. It has 1,200 members in the UK and can recommend the organiser most suitable for a given conference in a given area.

The British Association of Conference Towns, with 80 members, is based in Tunbridge Wells and represents the increasingly competitive conference venue scene outside London.

Information

In London, information can be obtained from the London Visitor and Convention Bureau, part of the London Tourist Board. London is the world's busiest international conference venue. Those companies lacking experience of finding a suitable location in the capital would do well to avoid the summer months and should double-check that accommodation is assured.

A mini survey carried out by ACE lists the following ingredients for a successful conference:

● Strict timing, back-up alternatives, easy to find venue, sports facililties, close control, adequate advance warning, a specific subject, something worthwhile to say, knowing your delegates' personal whims, getting everything confirmed in writing, keeping to agreed times, unlimited patience and enthusiasm, satisfying the senses (sight, sound and taste) . . . and a big smile.

Here are the mistakes to avoid:

● Failing to check details, inadequate briefing of hotel staff, not enough information for delegates, the assumption that hotel guides tell the truth, spreading the subject matter over too long a period, copying what others have done, lack of imagination, holding a conference on a boat in the dead of winter, dreary coach tours, low-grade hotels, exceeding the budget, too much free time, lack of equipment back-up, not telling participants what is expected of them, assuming that delegates read instructions, assuming that equipment has been checked . . . and selecting a temperance hotel.

Conveyancing, I am told, is also easy.

Top conference cities

		Type of conference	
	Total number of conferences	International	National with large *international* attendance
Paris	252	138	114
London	235	149	86
Geneva	153	145	8
Brussels	145	113	32
Vienna	142	95	47
Singapore	77	27	50
Rome	73	65	8
Copenhagen	72	48	24
New York	65	62	3
Strasbourg	64	55	9
West Berlin	62	20	42
Tokyo	55	40	15
Hong Kong	52	24	28
Madrid	51	46	5
Dublin	49	24	25

Source: UIA/1983

A task for specialists

Insurance

ERIC SHORT

COMPANIES SENDING employees overseas on business have accepted the need to provide adequate insurance cover for those employees.

Employees overseas face a variety of risks—being taken ill or involved in an accident while overseas, loss of baggage and money, delays in transport from one place to another and so on. The risks are similar to those facing holidaymakers going abroad but the emphasis is totally different.

The insurance industry has designed business travel policies quite separate from holiday travel insurance and has by and large understood that separate arrangements are necessary.

Medical cover has two distinct aspects for business travel. The first relates to the employee who is taken ill or is involved in an accident.

The insurance needs to provide cover to meet the costs of medical bills, including the costs of air ambulance flights to the nearest suitable hospital or even back to the UK.

The event often will occur in remote places where the medical facilities in the immediate area are inadequate for a serious illness such as a heart condition. The nearest hospital that can handle the case may be hundreds of miles away.

The insurance cover must meet what can be high transport costs.

Next, the insurance should provide for the costs of flying close relatives to the bedside of the striken employee and cover accommodation costs for those relatives.

The employer also incurs costs when an employee is taken ill on an overseas trip.

Often he will need to send another employee as a replacement as quickly as possible. The cover should meet the travel costs involved in such an event.

In respect of medical risks, insurance will cover the financial aspects, but employers expect much more from their insurance advisers, because the employee could be taken ill or involved in an accident in a remote spot.

Facilities are required that will assist the local medical services to diagnose the condition, especially the severity, to recommend where the appropriate treatment can be obtained and to arrange the transport.

For example, consider an employee struck down by a heart condition in a remote spot. The local medical facilities may need expert help on assessing the condition. Then assistance is needed to ascertain the nearest or most convenient hospital which can treat the condition. Finally, help is needed in getting to that place.

There are now several firms that specialise in providing precisely this sort of service. They have a worldwide network of doctors available on a 24-hour basis, records of hospital facilities and contacts with air ambulance services. In addition, they will have financial arrangements so medical bills can be paid.

A properly arranged business travel insurance contract will have arrangements with one or more of these specialist firms as part of the overall service.

The insurance cover will include loss of baggage by the employee. In addition to his personal belongings, there are two particular features that require special attention.

The first relates to business money that may be carried by the employee on his overseas business trips. The use of credit cards has cut down, but by no means eliminated, this risk, particularly for business in the remote areas.

Two forms

The second refers to equipment or samples the employee may be carrying where loss could be financially serious.

This is a specialised insurance area and is usually treated separately when designing the insurance policy.

Normally there are two forms of arranging business travel insurance. The employer can take out a separate insurance policy each time he sends an employee on a business trip. Or he can arrange an annual travel policy which covers every overseas business trip made by employees during the year.

The advantages of a group annual travel policy is that the travel department of the company does not have to worry about making insurance arrangements each time an employee goes on an overseas business trip. If the trip is arranged in a hurry, it is all too easy to overlook the insurance aspects. With a group policy, insurance is automatic.

An individual policy would be taken out if overseas business trips by employees of a company are infrequent.

The premiums charged for business travel depend on the countries and locations visited by the employee.

The insurance costs for travel in European countries is much lower than in other parts of the world. Costs are higher for travel to North America because of the medical expenses in the US. Costs in remote parts of the world will be much higher due to the travel costs if the employee is taken ill or has an accident.

Policies taken out on an individual basis will tend to be standardised, depending on the period of travel, with a standard rate for Europe and another for North America.

Group policies will have the premiums originally costed on an estimated basis related to previous experience of travel patterns. These will be adjusted either annually or quarterly on actual experience. The company will have to make periodic declarations of business travel made by employees.

In arranging insurance, employers have to distinguish between business travel and short-term secondments. The dividing line at times can be blurred.

An employee on a business trip can spend a considerable length of time in one particular place, supplementing the employer's staff at that location.

However, the insurers will expect employers to clearly distinguish between the two and make separate insurance arrangements for the two different circumstances.

Renovation adds finishing touch

US Hotels

FRANK LIPSIUS

IN ITS renovation of the old Taft Hotel at 52nd Street and Seventh Avenue in New York, the Florida-based Continental Hotels group is dividing the property into 180 hotel rooms and 400 condominia. According to Mr Quentin H. Richter, who was recently hired as managing director of the hotel (which will open in the autumn), the project will allow frequent New York visitors to buy a pied a terre with full hotel facilities.

Besides being an investment in New York real estate at a cost of $125,000 to $380,000, the condominia give visitors a place to call their own "rather than always living out of a suitcase," Mr Richter says.

Rebuilding the old Taft, with its grand marble lobby and balcony, is part of a new concern to gain distinction through renovation rather than building new. Costs can exceed starting over and certainly surpass original estimates, as occurred with the Barclay in New York. Now called the Hotel Inter-Continental New York, it was supposed to cost $12m and, four years later, was finally finished at a cost of $28m.

Among other projects, the Regent International group is spending $27m to renovate the recently purchased Beverly Wilshire in Beverly Hills, while the ornate Willard Hotel in Washington, unoccupied since 1969, is being renovated at a cost of $108m.

Aesthetics aside, renovations benefit from special tax breaks including 15 per cent credits for work on buildings at least 30 years old and 25 per cent credits in the first year for landmark buildings.

The high cost of property and renovation is also an incentive for hotel groups to spread their risk by taking in partners, whether condominia owners or real estate investors. Hotel companies look increasingly to sell property and run the hotels with management contracts that remove the uncertainty inherent in volatile property values and renovation costs.

Tax breaks by no means fully explain the lure of the past. The Four Seasons hotel group puts antiques and original art in new properties. It also serves afternoon tea, a popular anachronism that fits the policies of many new restaurants equally taken with the search for the past.

Ebbetts Bar and Grille near the Willard Hotel in Washington lost its original site to redevelopment and moved to a nearby building where it recreated a more elegant old look than it had before.

In New York, Pierre Cardin has opened a Maxim's where 1893 prevails in everything but price. A well-known suburban Philadelphia restaurant, Di Lullo's, moved downtown with the same intention of using brass, black velvet and elegant flower arrangements to transport diners into a calmer, more refined and

The attraction of serving the high end of the market traditionally comes from having customers more concerned with service than price. It is a market that the Four Seasons maintains with amenities like 24-hour room service, twice-a-day maid service, terry-cloth dressing gowns, jogging routes from the hotel and in recent hotels, health clubs with pools.

Four Seasons, which includes the Inn on the Park in London combines luxury with informality, a niche that has sparked a quarter century of success and expansion to 19 hotels in North America and Europe.

Four Seasons charges 20 per cent higher rates than competition in the luxury market. Other companies are undercutting prices by providing luxury service with cost-conscious rates. Now differentiation at the high end of the travel market includes bringing cost considerations to deluxe services.

According to Mr Tom Gaskill, Prism Management Company president, his Compri hotels have found a "niche that is not served" with a format meant to bring down the cost of the high end of the market. Building new hotels with 200 or fewer rooms, the Compri keeps construction costs to $65 a room compared to prevailing rates of $90 to $100 a room.

With these savings the group provides 400-square-foot suites like other expensive hotels as well as a Compri Club that serves complimentary breakfasts and complimentary evening cocktail parties for guests.

The Compri hotels also have meeting rooms that accommodate 100 people to encourage group bookings for rooms that cost $65 to $70 a night where the competition would cost $80 to $100 a night. Starting outside Chicago at the Compri Woodfield, the group hopes to move next to St Paul and build six to ten new hotels in the next two years.

Air travel is also becoming cost conscious. First-class fares, once an airline's guarantee of better margins for travellers with no concern for prices, have been reduced by cut-rate carriers. The standard carriers feel the pressure to follow suit, now that first-class has dwindled to less than 5 per cent of travellers, compared to 10 per cent in pre-discount days.

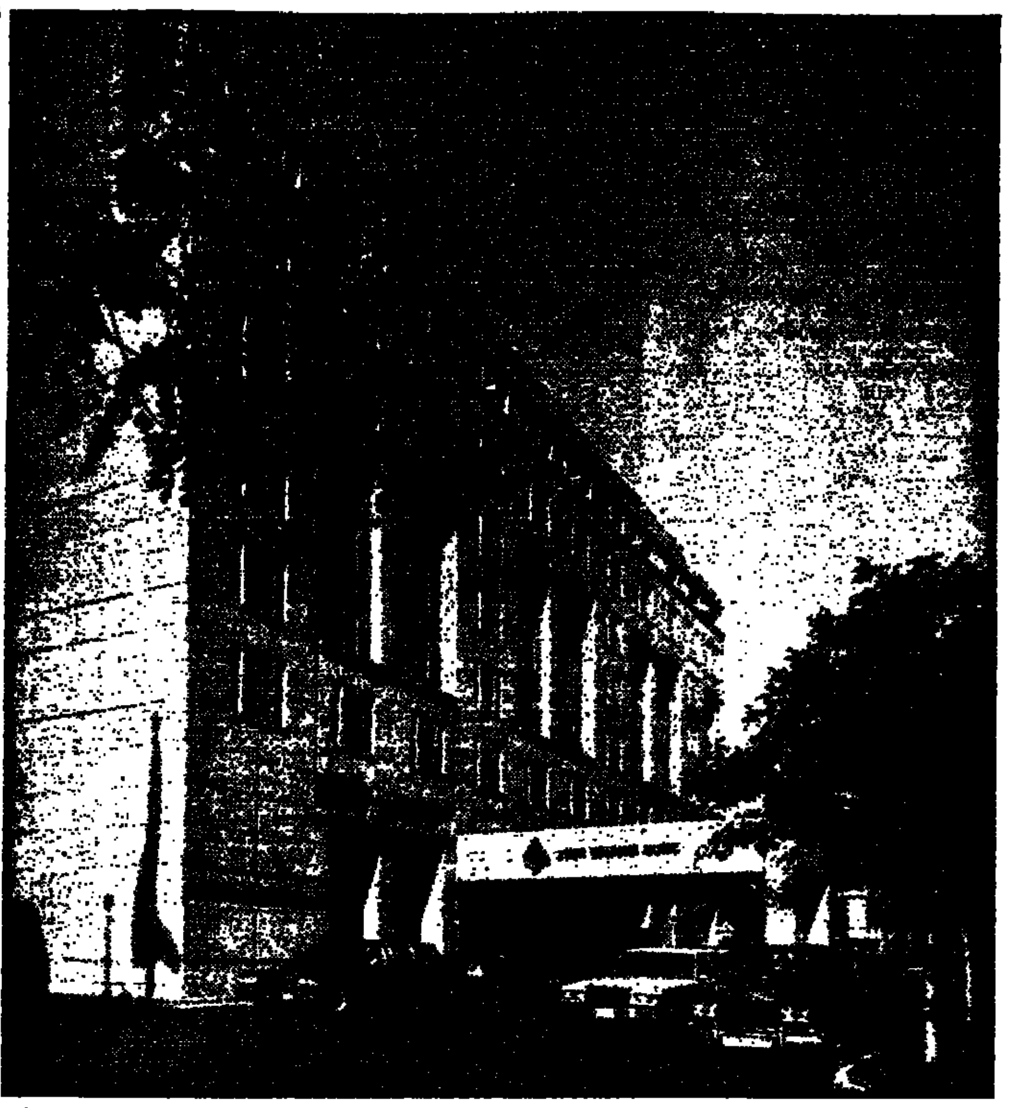
Although still accounting for 10 per cent of airline revenues, the erosion in the number of travellers has prompted United Airlines to match the discounted first-class fares of Continental Airlines on competitive routes, bringing down the Denver-Boston first-class fare, for instance, from $559 to $325.

As Continental noted, "It used to be that first-class passengers didn't have the foggiest idea what a ticket cost. But that's only partly true nowadays."

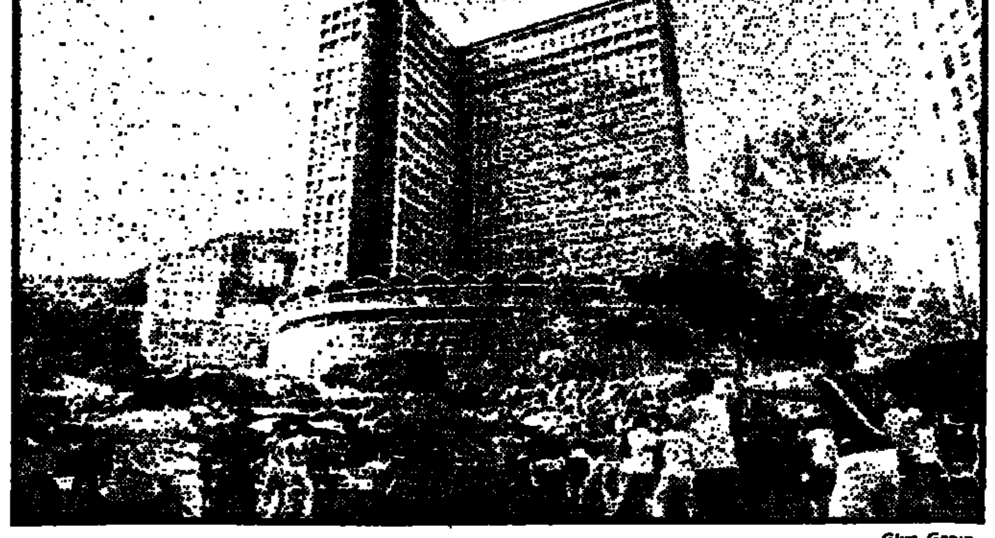
Lower oil prices have a direct impact on business travel, reducing costs of transport. A slowdown in wage rises also affects heavily service-orientated industries like hotels and restaurants. Such cost reductions are being passed on to consumers as either price cuts in high-end goods and services or more value for money where prices remain high.

In many ways, the changes look like a return to another era, not only in decorations and antiques, but also in type of service available. Residential hotels recall the past, having started in the age of the grand hotels like the Pierre and Waldorf-Astoria, which still have permanent residents. In reviving the idea, hotels demonstrate their search for particular demands to satisfy all segments of the travel business.

In creating special niches, the travel industry reflects greater prosperity among travellers who want more choices. Deregulation and sustained growth give travel businesses the opportunity to supply clients' particular needs in all travel segments.



The lure of the past: The new Four Seasons Hotel in Philadelphia, part of the hotel group which puts antiques and original art in new properties



Glyn Genin

Early morning exercises—the Chinese way—in front of the Hilton in Hong Kong

Hong Kong still top

Incentives

MOSS MURRAY

THE INCENTIVE travel business in Britain was worth £145m in 1985 and, according to a recent survey, is now used by one-third of the country's top 1,000 companies.

In the US several multinational groups have budgets in excess of $1m dedicated solely to motivating their sales executives, to encouraging customers to keep their business where it is, and to winning new accounts.

In continental Europe, the industry is still feeling its way, but in Britain this year it has come of age with the formation of the Incentive Travel Association. Membership is open to all companies, or divisions of companies, deriving the greater part of their income from the design, implementation and management of incentive travel programmes.

Hong Kong remains probably the number one destination, but Barbados is catching up fast. Last February 45 Toyota dealers from the UK flew out of Britain's freeze-up, via Concorde, to the balmier climate and beaches of the island. Their incentive award winning holiday was spent at Heywoods, Hotel, Barbados newest leisure complex with 300 rooms, on the north west of the island close to Speightstown.

For many companies UK destinations remain attractive. A UK firm last year took 20 top salesmen and their wives to the Ritz Hotel in London and rounded off the weekend with a trip to Covent Garden and a present of diamonds.

Stratford and Bath are popular destinations, but it is north of the border at Gleneagles, among the hills of Perthshire, to which many incentive groups head. Within the hotel's buildings and in the 631 acres of grounds, there is everything for work and play. Conference rooms have every kind of lighting and projection equipment and close by are four championship golf courses, a leisure centre, tennis, swimming, clay pigeon shooting, horse riding, a golf driving range plus food and accommodation that is 5-star plus.

Stimulate

The aim of the exercise is always to stimulate the participants and provide them with the encouragement to work still harder when they return from Acapulco, Miami or Madeira.

Johnson Wax, of the US, recently flew all 480 of the UK employees, from tea lady to top executive, from Gatwick to Milwaukie, to see the US operation, in a programme organised by Business Travel Team of Sussex. The aim was to stimulate still greater enthusiasm from the British staff. The five day trip included a picnic on Lake Michigan, as well as sightseeing in New York.

Ford also makes extensive use of incentive travel. Within its tractor operations in Europe incentives are used to encourage dealers to maintain a high penetration of worldwide markets. The company believes the motivation provided by the schemes has been a prime mover in both maintaining sales, and winning new customers.

"Our incentives undoubtedly pay big dividends. They encourage those dealers responsible for tractor sales to maintain high standards in their showrooms, and those who sell our parts to bring in more orders," Mr Bill Fildes, the company's service co-ordinator says.

The company has a manual, which sets out objectives for every agent. Each year improvements are sought. Those who reach their goals are the incentive winners. The competition is planned so that the smallest firms can compete on equal terms with the largest companies. Representatives responsible for selling parts are given sales targets.

Timesharing has also proved a popular incentive travel prize. One of the first to enter this field was Rank Xerox which offered salesmen the chance to win three weeks each year in perpetuity at a villa in Spain. Peugeot also spent £100,000 on villas and apartments in the same village and saw sales to UK agents shoot up "far beyond expectations."

Longer range will mean faster services

Airliners of the future

MICHAEL DONNE

BETWEEN NOW and the end of this century, several new types of airliner are likely to be introduced to meet the inexorable growth of world air travel.

Estimates by the International Civil Aviation Organisation (the aviation agency of the UN) show that last year, no fewer than 892m passengers travelled on the scheduled domestic and international air services of the airlines of its 156 member-countries, or about 6 per cent more than in 1984. If the non-scheduled and charter travellers (more difficult to quantify) are added to the total, it is estimated that well over 1bn passengers travelled by air last year.

For the years immediately ahead, the average annual rate of growth of world air passenger traffic is expected to be somewhere between four and six per cent, although the precise rate will vary widely from region to region. On the assumption that the growth rate will be about five per cent a year, however, the annual total of world air travellers will double by the mid to late 1990s.

To meet this demand, the world's major airliner manufacturers are already developing a new generation of airliners, and are planning further new ventures beyond that. Boeing, the world's biggest builder of jet airliners, has forecast that between now and the end of the century, the total demand for new jet airliners of all kinds will amount to about $247bn, of which air travel growth will account for about $173bn of new aircraft orders, and the remaining $74bn will be accounted for by replacement of ageing, inefficient jet airliners.

Boeing puts an estimate of about 6,000 airliners on this cash figure, of which it expects that about 4,000 will be ordered over the next decade alone, mostly in the short-to-medium range market, where the bulk of the world's air travellers fly.

Looking ahead to the different types of new aircraft, there are likely to be rather more of them than was originally expected. At the long-range end of the scale, Boeing, in addition to offering the latest version of the Jumbo jet, the Series 400 that will make it possible for airlines to fly non-stop between Tokyo, Hong Kong and Singapore and London and other West European cities, will offer some time in the mid-to-late 1990s yet another version of the Jumbo, the Series 500, that will have even longer range and improved fuel economy, based on the use of the revolutionary "prop-fan" type of engine now under study by most of the world's major engine manufacturers.

It is this "prop-fan" engine that promises to revolutionise short-to-medium range air transport over the next ten years. It is based on the well-understood principle of "turbo-propeller" power — that is, the harnessing of propellers to gas-turbine engines, instead of using the hot gas exhaust of the gas-turbine engine to provide direct propulsive thrust.

Improved engine

The difference in the "pro-fan" concept is that not only is the hot "core" of the gas-turbine engine itself much improved, to give greater efficiency, but also that the design of the propellers themselves is improved substantially. They are shaped more like scimitars or even ships' screws than the conventional propellers as understood today, with up to eight blades on each of two counter-rotating hubs.

The effect of this combination, it is claimed, will produce an engine that is up to 40 per cent more fuel-efficient than today's generation of turbo-fan (jet) engines, and up to 25 per cent more fuel-efficient than the forthcoming new generation of turbo-fan engines such as the international V-2500 engine now under development.

At the same time, it is believed that, the new prop-fans will be quieter, more vibration free and less susceptible to pollution than jet engines.

Whether these claims will be justified in practice remains to be seen. But two of the world's major jet manufacturers, Boeing and McDonnell Douglas, are to undertake flight test programmes with the new engines, designed to determine whether those engines will be suitable for incorporation into new airliner designs for airline service in the early 1990s.

Boeing will start this summer with a flight-test programme using a General Electric (US) prop-fan, which that company calls an "Unducted Fan" or UDF, and Boeing calls an "Ultra High By-Pass Ratio" (or UHB) engine — both are effectively the same thing, a prop-fan.

Boeing will put the GE engine onto a Boeing 727 tri-jet flying-test bed. If the results prove satisfactory, and GE can continue with the development of the engine on time, and to the satisfaction of Boeing in such vital areas as cost, noise, fuel consumption and low vibration, Boeing will incorporate that engine on a new short-to-medium range airliner design, the 7J7, that it is now designing for offer to the airliners for service from 1992.

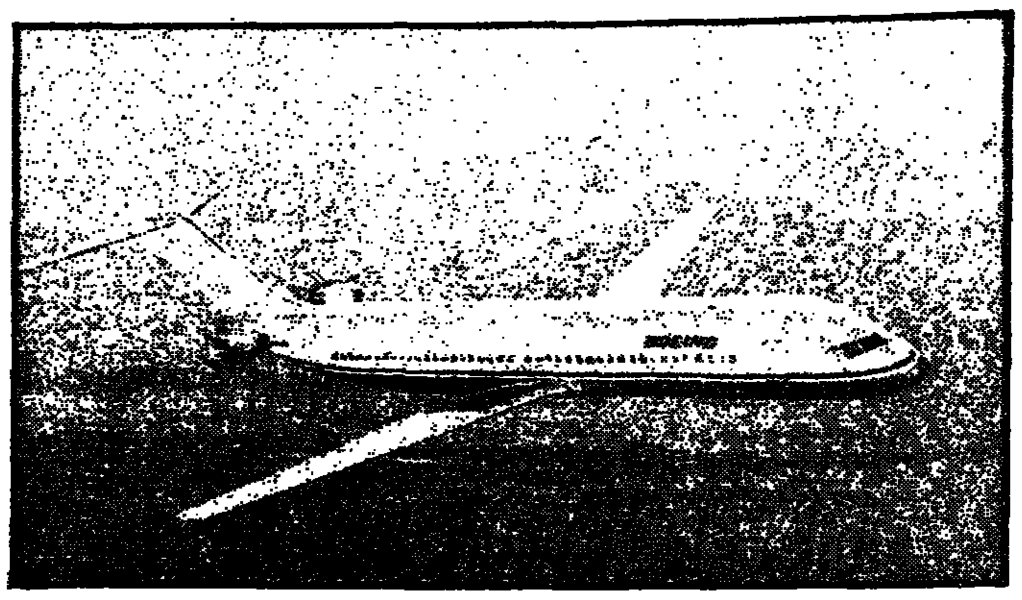
A little later, McDonnell Douglas, in 1987, will undertake first with the GE prop-fan, and later with a prop-fan engine devised by the US Allison Division of General Motors, installed on an MD-80 series short-to-medium range jet airliner. If that flight-test programme is satisfactory, McDonnell Douglas will consider installing either the GE or the Allison prop-fans on its later MD-80 series airliners. When a recent order was announced by Delta Air Lines of the US for one of those airliners with conventional turbo-fan jet engines, called the MD-88, it was stated that both McDonnell Douglas and Delta intended to retro-fit the aircraft with prop-fans if the flight test programme was satisfactory.

The difference between the two programmes lies in the different concepts of prop-fan engine employed. The GE programme is based on a "gearless" engine, whilst the Allison venture employs a gearbox.

The technical arguments between the two prop-fan concepts are complex, but broadly the "geared" school of thought (to which Rolls-Royce of the UK and Pratt and Whitney of the US are adherents) is that it offers a simpler solution to prop-fans than the "gearless" system. The flight tests of the two different systems should provide some solutions to this argument.

But whatever happens, it seems clear that prop-fans are on the way, and are likely to dominate the short-to-medium range airliner market in the mid to late 1990s. Even if the development of these new engines is delayed because of technical difficulties, so that they cannot enter service in the early 1990s as both Boeing and McDonnell Douglas hope, they will certainly come by the mid-1990s, and inevitably by the latter half of the next decade. With their sharp reductions in fuel costs, they should result in cheaper flights.

At least one major manufacturer does not accept that prop-fans will emerge quite as quickly as its competitors think.



An artist's impression of the Boeing 7J7 prop-fan twin-engined 150-seat airliner, now under development for service from 1992. This venture, which Boeing is undertaking with the Japanese aerospace industry, is likely to provide fierce competition for the European Airbus A-320 twin-engined 150-seater, powered by conventional turbo-fan (jet) engines (although of advanced technology), which is expected to enter service earlier, in 1988-89.

150-seater

Airbus Industrie, the European airliner manufacturing group, while accepting that prop-fans will emerge some time in the 1990s, is proceeding with conventional turbo-fan (jet) power for its own next generation of airliners, the 150-seat short-to-medium range A-320 airliner, now under development for service in 1988-89.

Furthermore, it has also so far eschewed the idea of prop-fan power for its further ventures, the 330-seat A-330 range airliner, and the 250-seat A-340 long-range four-engined airliner, both designed for airline service in the early to mid-1990s. For the A-330, the manufacturer will use either the Pratt & Whitney PW-4000 or General Electric CF6-80C2, while for the A-340 it will use either the V-2500 or the US-France (General Electric Snecma) CFM-56-5 engine.

Plans to develop these two new airliners are now being finalised, and firm launch commitments are expected later this year. British Aerospace, which has a 20 per cent stake in Airbus, is seeking to participate in both the A-330 and A-340 ventures, building the common wing for both aircraft, with a £500m launching aid contribution from the UK Government.

Yet another new airliner that could emerge in the near future for service in the 1990s is the McDonnell Douglas MD-11, effectively a replacement for the long-range tri-jet DC-10, and a possible rival for the Airbus A-340 four-engined long-range jet. As with the new Airbuses, no final launch commitment has yet been taken on the MD-11, but it could come this year, if sufficient new orders justify taking the decision to commit the necessary development finance.

The coming year, therefore, could well be a critical one in the aerospace manufacturing industry, with several new airliner ventures being committed for service in the 1990s and beyond.

The combined total investment in all these ventures—the prop-fans by Boeing, McDonnell Douglas, General Electric and Allison, and the turbo-fan powered aircraft by Airbus, Pratt and Whitney, CFM International and International Aero Engines, collectively could amount to as much as $8bn to $10bn, including the airframes, engines and equipment.

The size of the investment indicates the manufacturers' confidence that world air travel will continue to grow strongly during the remaining years of this century, despite possibly cyclical variations in economic activity.

Pampering the executive

CONTINUED FROM PAGE 1

says. "American Express, by acting as an agent, can not only pass on cost savings resulting from our own purchasing power, but also help to manage the complete travel budget."

Mintel carried out a special survey of travel managers in UK companies and found that some six out of every companies surveyed had a written travel policy. The survey also revealed that the majority of companies handled hotel and car hire bookings in-house but only one in 10 similarly handled airline bookings.

Virtually all companies used a travel agency to some extent and these were chosen, says Mintel, by tender and because "it offered the best service."

What are the prospects for the industry in the rest of the 80s and beyond? There are both positive factors, such as de-regulation of airline routes in Europe, and other factors — the growth of instantaneous cheap global communications—which will help shape the market's growth in the years to come.

De-regulation in the US of airline routes resulted in widespread changes in the structure of the industry and much attention being paid to the business traveller. De-regulation in Europe has been — and is likely to continue to be — a slow business with emphasis on getting fares down rather than wooing the executive flying on business.

New technology will undoubtedly continue to play an important part in stimulating business travel since it can help to reduce the costs and improve performance from hotels, airlines, and other operators.

But the real threat comes from developments such as meetings and conferences linked together by television networks which obviously can be a cheaper and quicker way of bringing executives together. As the technology improves, so this must become a realistic option for many companies on some occasions.

Yet, in spite of the advantages of this type of link-up, many businessmen are likely still to prefer the reality of human contact to the illusion of being somewhere else without actually travelling. The airlines, hotels, and the remainder of the business travel industry can rest easy that executive travel will remain a permanent feature of the travel trade for many years *to come.*

Business visits abroad by UK residents

(Main destination by percentage)

	1981	1982	1983	1984
	%	%	%	%
France	16	18	16	17
West Germany	15	13	13	15
Irish Republic	10	10	10	9
Netherlands	8	9	9	9
USA	9	9	8	9
Belgium	7	7	6	8
Italy	5	6	6	6
Spain	3	3	5	5
Switzerland	3	4	4	5
Sweden	2	2	2	4
Middle East	3	2	2	2
Norway	2	2	2	2
Denmark	1	2	2	2
Africa—North	1	1	1	1
—South	1	1	*	1
—Rest	1	1	1	1
Eastern Europe	1	1	1	1
Portugal	1	1	1	1
Austria	1	1	1	1
Canada	1	1	1	1
Greece	1	1	1	1
Japan	*	*	1	1
Gib./Malta/Cyprus	1	1	1	1
Finland	1	1	*	*
Others	4	5	5	1
	100	100	100	100

* Less than 0.5%.

Source: International Passenger Survey /Mintel.